



State of Student Aid and Higher Education in Texas

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January 2015

By Marlena Creusere, Carla Fletcher, Kasey Klepfer, and Patricia Norman

**TG Research and Analytical Services**

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January 2015

TO: Colleagues  
FROM: James Patterson, President and CEO  
RE: 2015 State of Student Aid and Higher Education in Texas

TG provides critical support to schools, students, and borrowers at every stage of the federal student aid process — from providing information on how to pay for a higher education including financial aid options, to facilitating successful loan repayment after graduation. As part of that support, I am pleased to provide you with TG's latest issue of *State of Student Aid and Higher Education in Texas*. The publication offers Texas policymakers, their staff members, and members of the student financial aid community an overview of key facts that describe student financial aid in Texas.

Our changing economy rewards workers who can think critically, solve problems creatively, and master technical skills in multiple areas. Postsecondary education nurtures and hones these abilities, and success in college is the best predictor of later financial success and other quality-of-life benefits.

Texas is experiencing rapid and profound demographic changes. The state's population growth is being fueled by a dramatic increase in the number of young Hispanics, a group that historically has been underrepresented in higher education. The economic vitality of the state will largely depend on how thoroughly financial barriers to education are removed. TG plays a significant role in helping students achieve their educational goals.

Both the Texas Legislature and the U.S. Congress understand the importance of providing access to college and have sought to ensure that qualified students can get a college education. *State of Student Aid and Higher Education in Texas* serves as a resource for those in search of information concerning demographic changes, educational attainment, college costs, financial aid programs, and student debt.

Please direct questions and comments about this report to George Torres, TG assistant vice president for congressional/legislative relations at (800) 252-9743, ext. 4503 or [george.torres@tgsllc.org](mailto:george.torres@tgsllc.org), or to Jeff Webster, TG assistant vice president for research and analytical services at (800) 252-9743, ext. 4504 or [jeff.webster@tgsllc.org](mailto:jeff.webster@tgsllc.org). TG would like you to consider the corporation as a primary resource for information about the types and levels of the major student financial aid programs that are currently available to Texas students and families, and how Texas compares to the nation as a whole.

Sincerely,

James Patterson  
President and CEO  
TG

TG promotes educational access and success so that students can realize their college and career dreams. As a private, nonprofit corporation, TG offers resources to help students and families plan and prepare for college, learn the basics of money management, and repay their federal student loans.

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# Glossary of Terms

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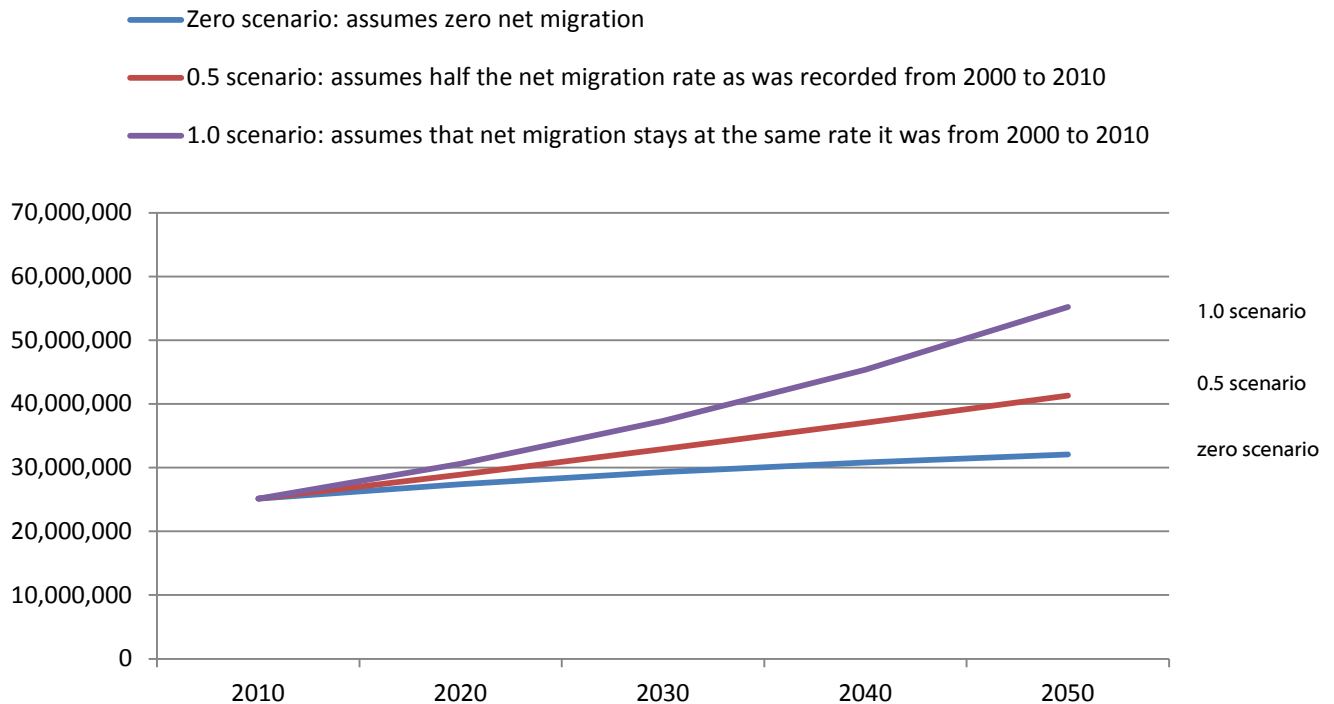
Academic Year	An academic year is considered to be a nine-month period that, for traditional programs of study, begins in August and ends the following May.
Award Year	A 12-month period beginning July 1 and ending June 30 of the following year.
Average	Often called the mean, the average is a common statistical method used to calculate central tendency. The average is found by adding all numbers together and dividing the total by the sum of the number of items included in the calculation.
Borrower	An individual to whom a federal student loan is made.
Claim	A request that the lender (or lender's servicer) files with the guarantor for reimbursement of its losses on a Federal Stafford, SLS, PLUS, or consolidation loan due to the borrower's death, disability, default, or bankruptcy; school closure; an unpaid refund; theft of the borrower's identity; or false certification of the borrower's eligibility.
Cohort Default Rate	The percentage of Federal Stafford and SLS loan borrowers who default before the end of the first fiscal year (2-year rate) or second fiscal year (3-year rate) following the fiscal year in which they entered repayment on their loans. The Department of Education calculates this rate annually to determine the default experience of students who attended a particular school during a particular period of time. Unless otherwise specifically indicated, the cohort default rate includes the FFELP/FDLP cohort default rate or the weighted average cohort default rate.
Collections	Student loan payments and fees collected from borrowers by guarantors or the federal government after default claims are paid to lenders.
Collection Recovery Rate	The amount of loan collections for a fiscal year divided by the balance of accumulated defaults at the beginning of the fiscal year.
Fiscal Year	A 12-month period beginning October 1 and ending September 30 of the following year. Fiscal Year 2013, for example, begins October 1, 2012, and ends September 30, 2013. Fiscal Year-to-date (FYTD) is the FY time period, but is shorter than the entire twelve months.
Guarantee	A conditional legal obligation, as defined in an agreement by and between a guarantor and a lender, for the guarantor to reimburse the lender for some portion of a loan that is not repaid by the borrower due to default, death, disability, bankruptcy, borrower ineligibility, unpaid refund, identity theft, false certification of borrower eligibility, or school closure.
Median	A statistical measurement used to calculate the middle most number within a range of numbers. Using the median is a preferred statistical method for central tendency when skewed, or distorted, distributions of numbers occur.
Weighted for Enrollment	An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by total enrollment, such that schools with higher enrollments are given greater weight.

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## SECTION 1

# Texas Demographics

# Texas Population Projected to Grow Rapidly



The Texas population is growing rapidly. In 2010, Texas had 25.1 million people. The Texas State Data Center, also known as the State Demographer, developed three forecasts for population growth for Texas to 2050. The forecasts share identical assumptions on death and fertility rates, but differ on rates of net migration into the state. The zero scenario, which is provided primarily for comparison purposes, assumes no net migration into the state and demonstrates the population change that would occur as a result of only births and deaths. The 0.5 scenario assumes half the net migration into the state as was recorded in the 2000s, and the 1.0 scenario assumes that net migration stays the same as the rate recorded in the 2000s.

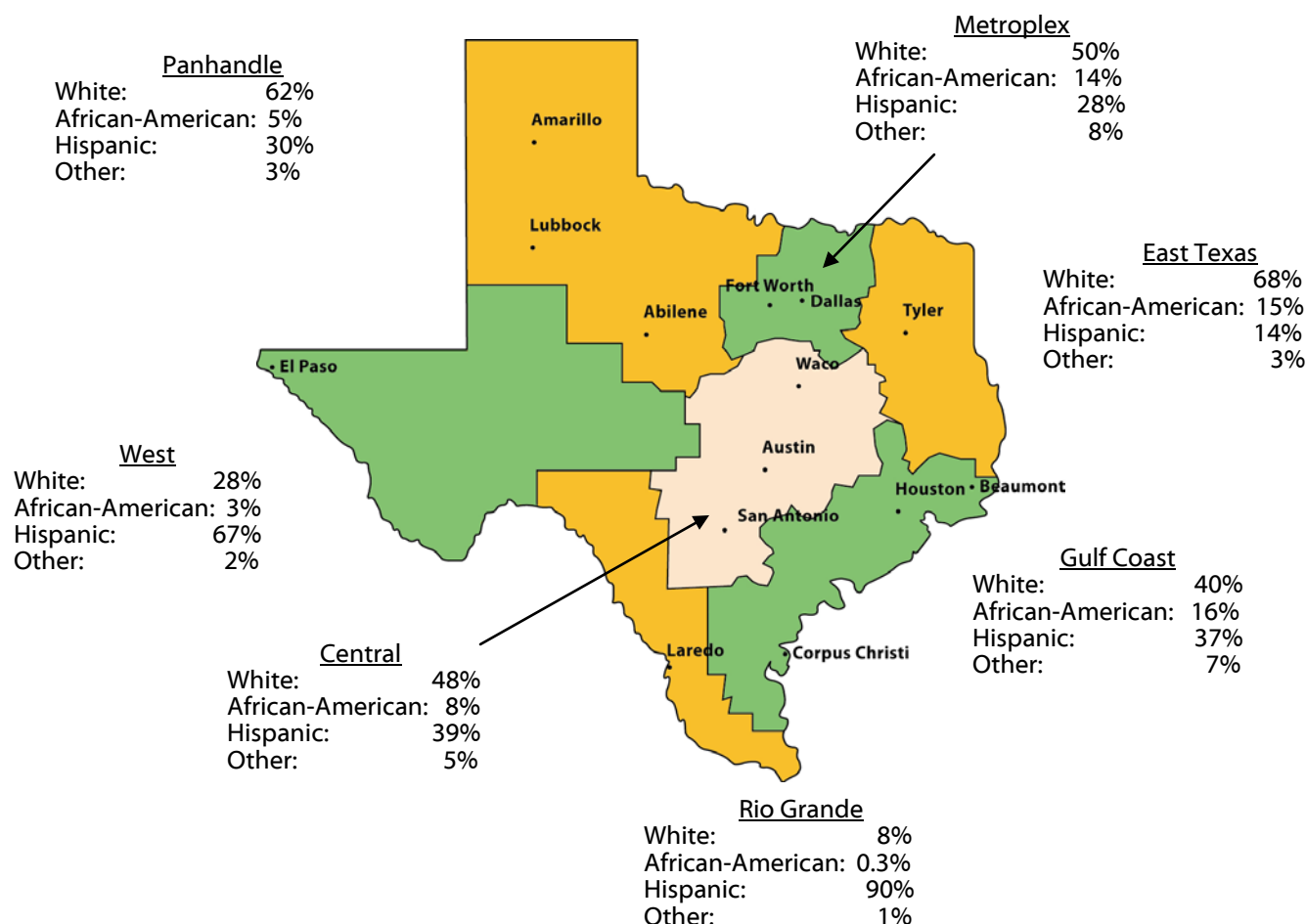
For most areas of the state, the State Demographer suggests that the 0.5 scenario may be most appropriate, but for short-term planning purposes (i.e., 5–10 years), but that the 1.0 scenario may be appropriate. This recommendation assumes that patterns from the recent past are most likely to characterize the immediate future, while growth rates under the 1.0 scenario are sufficiently high that they are unlikely to continue over extended periods of time. The population grew by about 20 percent between 2000 and 2010, to 25.1 million people. The 0.5 scenario indicates that the population will grow by about 64 percent between 2010 and 2050, or to 41.3 million people.

Source: Texas State Data Center and Office of the State Demographer, Texas Population Projections Program, "Population Projections for the State of Texas and Counties in One File," 2012 (<http://www.txsdcd.utsa.edu/Data/TPEPP/Projections/Index.aspx>).



# Racial/Ethnic Composition of Texas Varies by Region

**Racial/Ethnic Composition by Region  
(2012)**



White non-Hispanics comprised less than 50 percent of the Texas population for the first time in 2003. In 2012, they comprised 44 percent, down from 53 percent in 2000. Hispanics are the fastest growing ethnic group in the state, as well as the nation. Most of the population growth in Texas in the next 30 years will continue to come from non-White racial/ethnic groups, especially Hispanics.

More than half of the Texas population lived in just 2 of the 7 regions – the Gulf Coast, which had 7.5 million people in 2012, and the Metroplex, which had nearly 7.0 million. The least populous region was the Panhandle, with 1.4 million people.

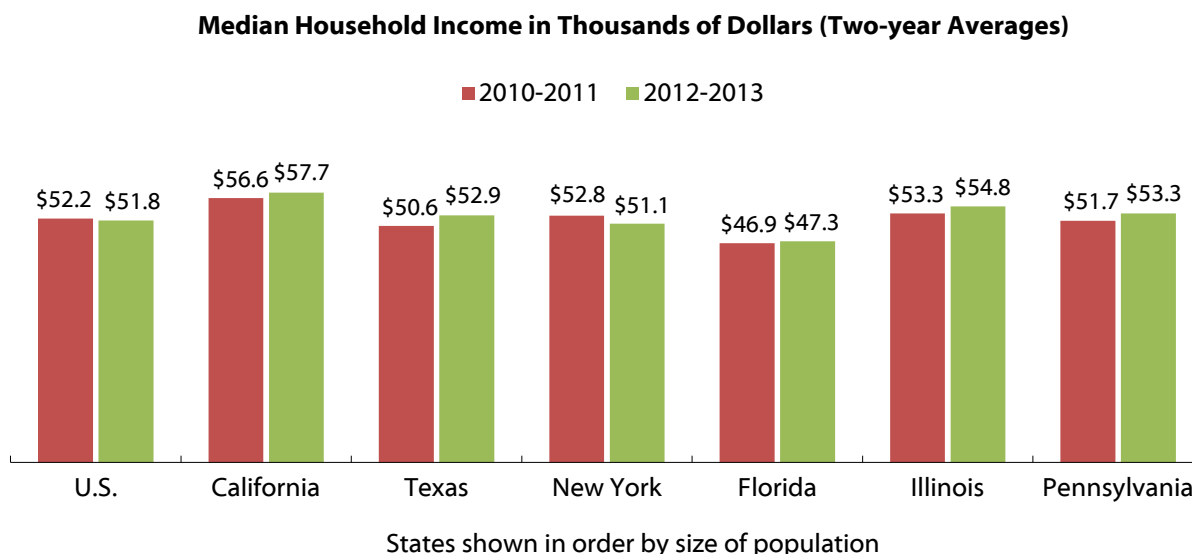
The racial/ethnic composition of the population varied greatly by region. East Texas (68 percent) and the Panhandle (62 percent) had the highest concentration of Whites, while the Rio Grande (90 percent) and West Texas (67 percent) had the highest percentage of Hispanics. African-Americans were most concentrated in the Gulf Coast (16 percent), East Texas (15 percent) and the Metroplex (14 percent). Central Texas most closely resembled the overall state composition.

Source: Percent of Texas population by race/ethnicity, 2014: Texas State Data Center and Office of the State Demographer, "Age, Sex, and Race/Ethnicity Population Estimates, State and All Counties, 2012". (<http://txsdc.utsa.edu/Data/TPEPP/Estimates/Index.aspx>).





# Median Income in Texas Increases



The median household income in the U.S. decreased from \$52,244\* in 2010–2011 to \$51,849\* in 2012–2013.\*\* Household income in Texas was lower than the national median in 2010–2011, but higher than the national median in 2012–2013, as it increased from \$50,649\* to \$52,854.\* Among the top six states with the highest populations, all but New York had increases in median income, and Texas had the largest increase (4.4%). Incomes are expected to stabilize over the next few years as the nation continues its recovery from the recent recession.

In 2013, Whites in the U.S. continued to outearn African-Americans and Hispanics. Compared with White household income in the U.S., African-American household income was 59 percent, and Hispanic household income was 70 percent.

\* In 2013 dollars

\*\* Two-year average

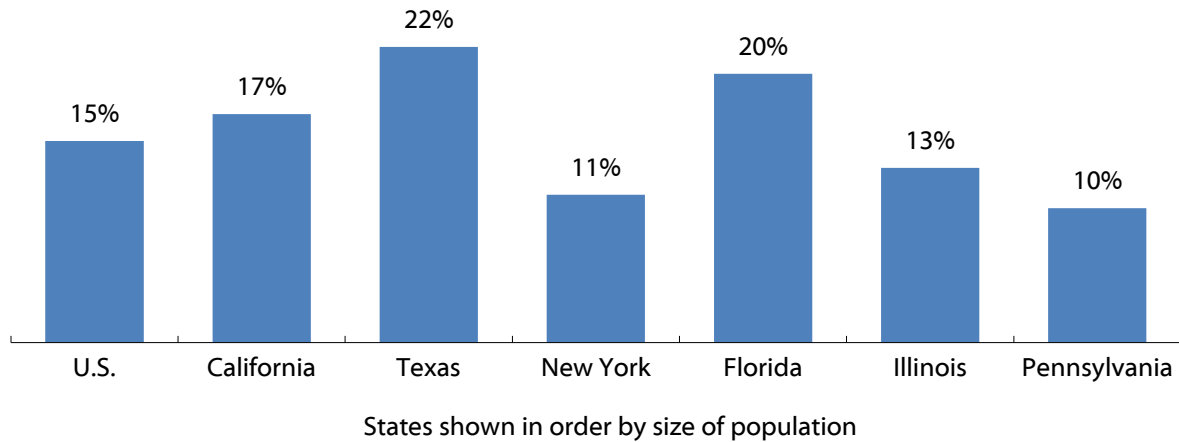
Source: U.S. Census Bureau, "Two-Year Average Median Household Income by State: 2010–2013" (<http://www.census.gov/hhes/www/income/data/statemedian/index.html>), and U.S. Census Bureau, "Income and Poverty in the United States: 2013" (<http://www.census.gov/newsroom/press-releases/2014/cb14-169.html#>).



# Nearly One in Four Texans Lacks Health Insurance

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**People Without Health Insurance, by State (2013)**



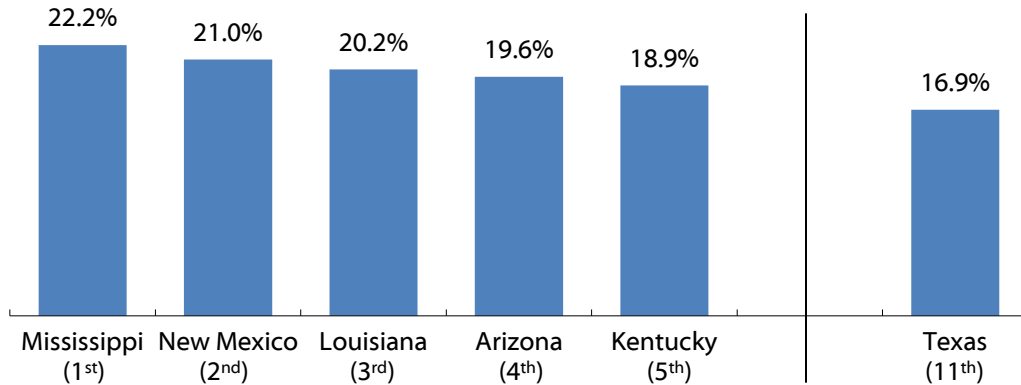
About 15 percent of Americans lacked health insurance in 2013. The percentage is much higher in Texas. Twenty-two percent of Texans lacked insurance, the highest rate of any state in the nation. Only two other states — Nevada and Florida — have 20 percent or more of the population without insurance.

Source: U.S. Census Bureau, "Number and Percentage of People Without Health Insurance Coverage by State: 2012 - 2013" (<http://www.census.gov/hhes/www/hlthins/data/incpovhlth/2013/acs-tables.html>).



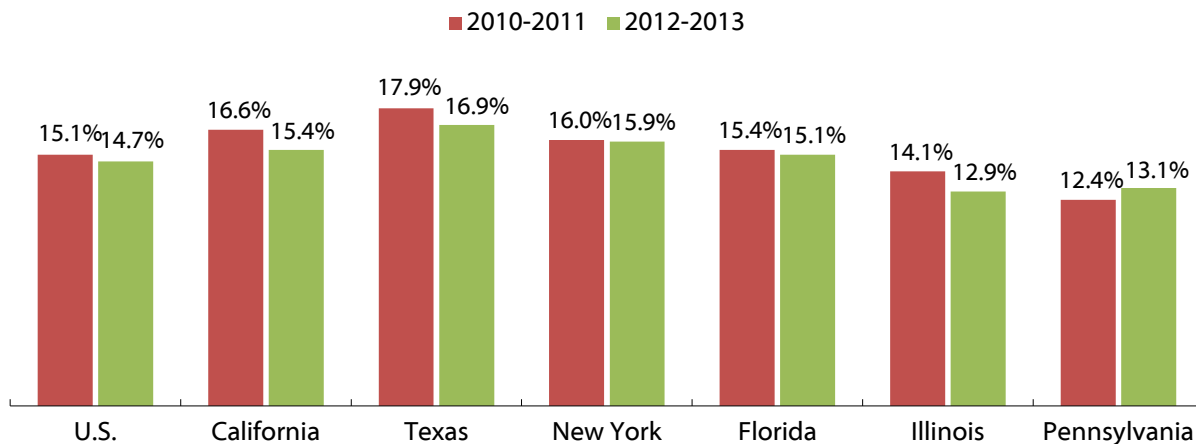
# Texas Poverty Rate Eleventh Highest in Nation

**People in Poverty, States with Highest Rates (2012-2013)**



An average of 14.7 percent of people in the U.S. lived in poverty in 2012-2013,\* down from 15.1 percent in 2010-2011.\* Texas has the eleventh highest poverty rate in the nation and a poverty rate higher than the national average. In 2012-2013,\* 16.9 percent of Texans lived below the poverty line, down from 17.9 percent in 2010-2011.\* In 2013, poverty was defined as having an income of \$23,624 or less for a family of four with two children, or \$12,119 or less for an individual under 65 years old.

**People in Poverty, Largest States (Two-Year Averages)**



States shown in order by size of population

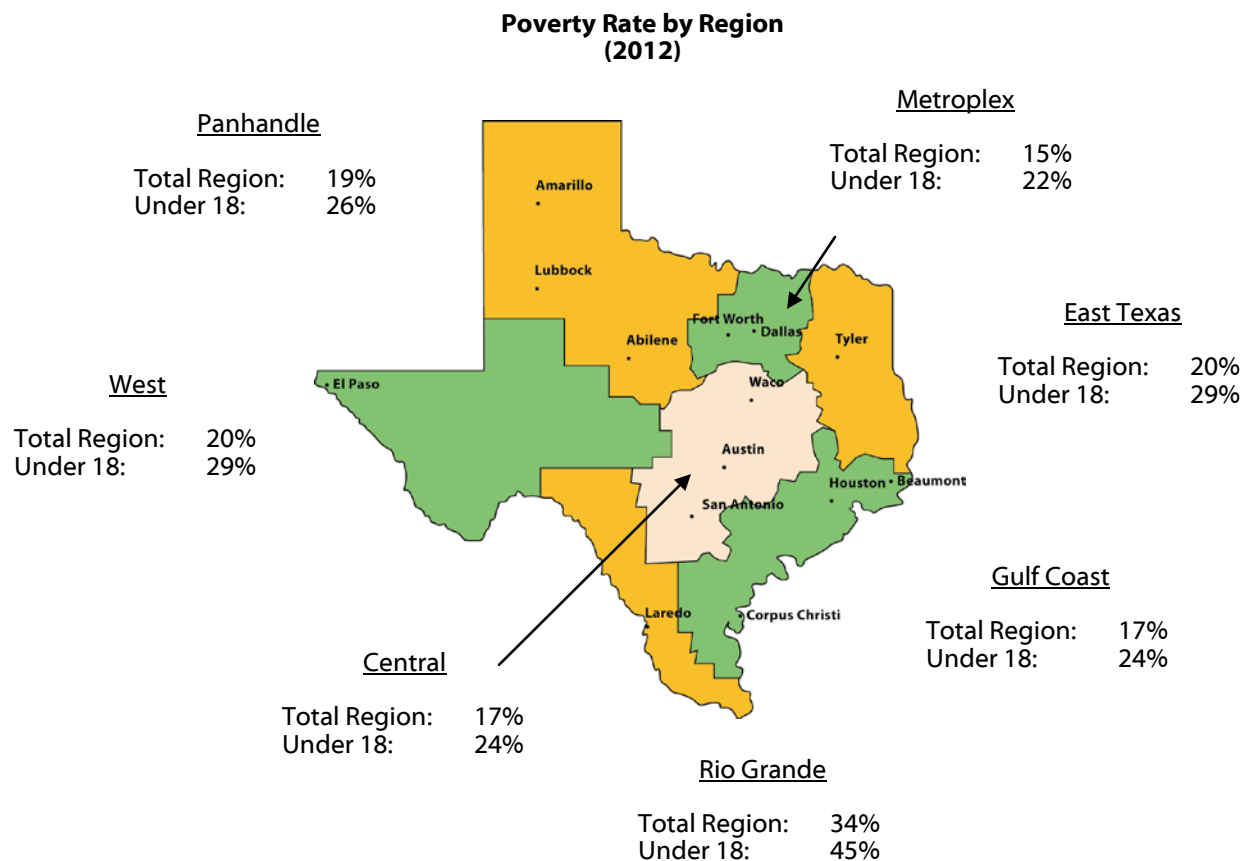
Texas continues to have the highest poverty rate among the six largest states, followed by New York, at 1.0 percentage points below Texas' rate in 2012-2013. Among these states, only Pennsylvania saw an increase in poverty rate between 2010-2011 and 2012-2013.

\* Two-year average

Sources: Poverty Rates: U.S. Census Bureau, "Percentage of People in Poverty by State Using 2- and 3-Year Averages: 2010-2011 and 2012-2013" (<http://www.census.gov/hhes/www/poverty/data/incpovhlth/2013/tables.html>); Definition of Poverty: U.S. Census Bureau, "Poverty Thresholds: 2013" (<http://www.census.gov/hhes/www/poverty/data/incpovhlth/2013/tables.html>).



# Poverty Rates Vary Widely within Texas



The overall 2012 poverty rate in Texas was 17.9 percent, and the child poverty rate was 25.8 percent. Poverty rates vary widely by region in Texas, with the highest rates in the Rio Grande region and the lowest rates in the Metroplex region.

In 2012, poverty was defined as having an annual income of \$23,283 or less for a family of four with two children, or \$11,945 for an individual under 65 years old.

Sources: Definition of Poverty: U.S. Census Bureau, "Poverty Thresholds: 2012" (<http://www.census.gov/hhes/www/poverty/data/threshld/>); Poverty rates by region: U.S. Department of Agriculture, Economic Research Service, "Poverty estimates for the U.S., States, and counties, 2012" (<http://www.ers.usda.gov/data-products/county-level-data-sets/download-data.aspx>).

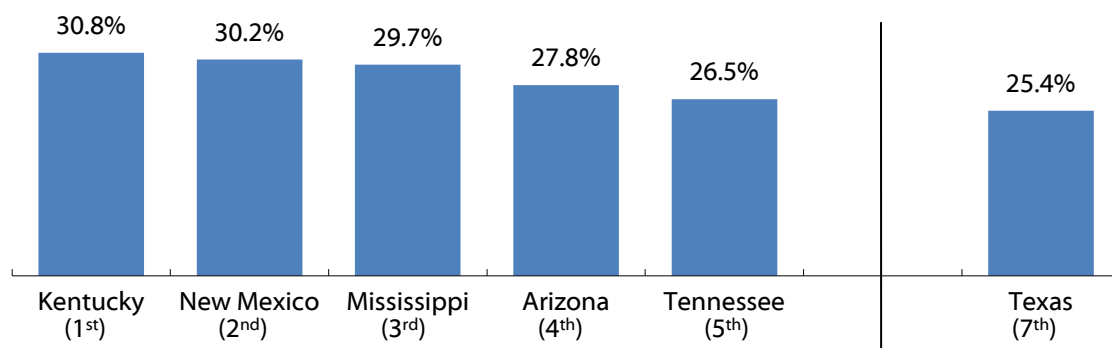


# Over One-Fourth of Texas Children Live in Poverty

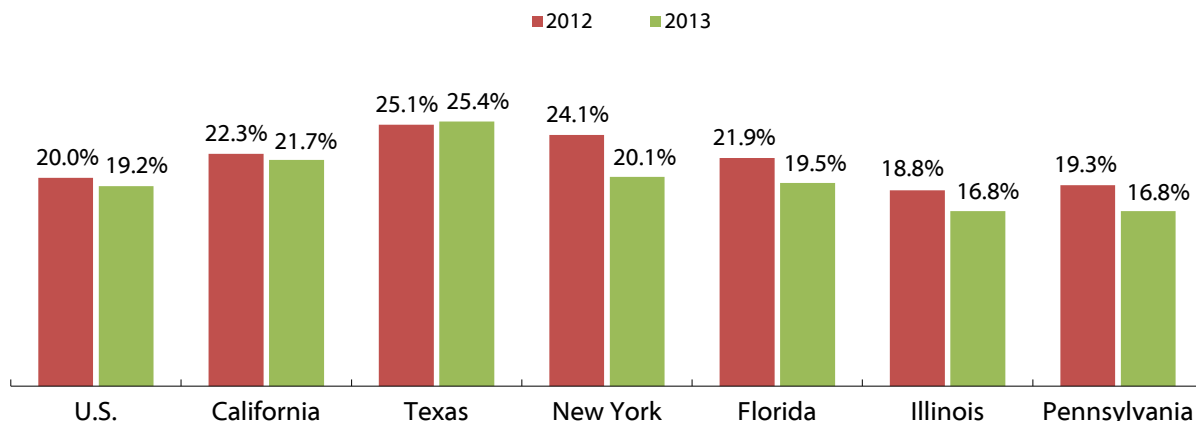
Texas has the seventh highest rate of children living in poverty, and the highest rate among the six most populous states. Over one-fourth — 25.4 percent — of Texas children lived in poverty in 2013, an increase of nearly 0.3 percentage point from the 25.1 rate in 2012. Over 700,000 children in Texas lived in poverty in 2013, more than the 654,000 children who lived in poverty in Kentucky, New Mexico, Mississippi, Arizona, and Tennessee combined.

The child poverty rate for the U.S. in 2013 was 19.2 percent, down from 20.0 percent in 2012. In 2013, there were 17 states in which 20 percent or more of children lived in poverty. Children who grow up in poverty and go on to college will most likely arrive with little financial assistance from their families and a high need for financial aid. In 2013, poverty was defined as having an income of \$23,624 or less for a family of four with two children, or \$12,119 or less for an individual under 65 years old.

**People Under 18 in Poverty: States with Highest Rates (2013)**



**People Under 18 in Poverty: Largest States (2012 and 2013)**



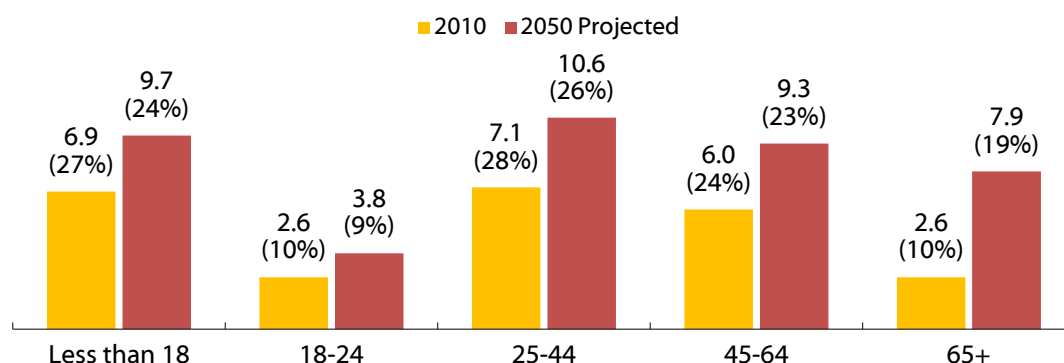
States shown in order by size of population

Sources: 2013 Poverty Rates: U.S. Census Bureau, Current Population Survey, 2013 Poverty Tables, Poverty Status by State (Sample Person Count, 100 Percent of Poverty, People Under 18 Years of Age) ([http://www.census.gov/hhes/www/cpstables/032014/pov/pov46\\_002\\_10050.htm](http://www.census.gov/hhes/www/cpstables/032014/pov/pov46_002_10050.htm)); 2012 Poverty Rates: U.S. Census Bureau, Current Population Survey, 2012 Poverty Tables, Poverty Status by State (Sample Person Count, 100 Percent of Poverty, People Under 18 Years of Age) ([http://www.census.gov/hhes/www/cpstables/032013/pov/pov46\\_002\\_100125.htm](http://www.census.gov/hhes/www/cpstables/032013/pov/pov46_002_100125.htm)); Definition of Poverty: U.S. Census Bureau, Poverty Thresholds: 2013 (<http://www.census.gov/hhes/www/poverty/data/incpovhlth/2013/tables.html>); 2012 Population by State: U.S. Census Bureau, 2012 Census Data (<http://www.census.gov/popest/data/state/totals/2013/index.html>).

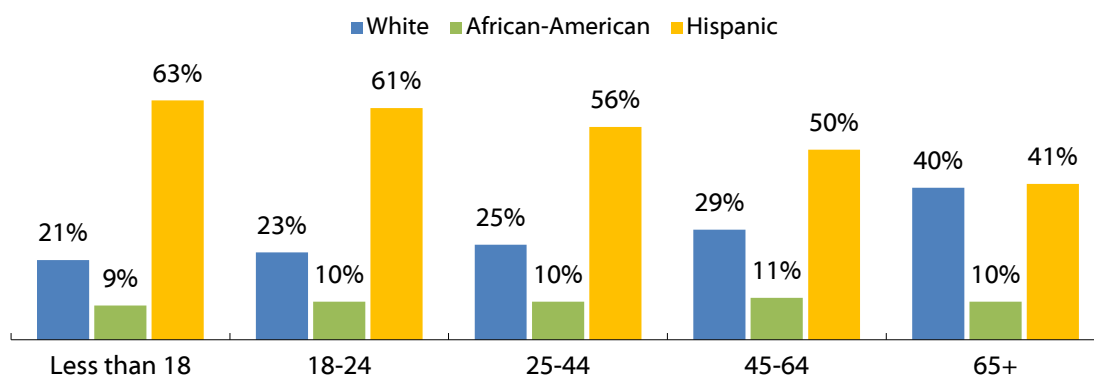


# Texas' Future Dependent on the Education of its Non-White Population

**Texas Population by Age in Millions and Percentage of Total in Each Year: 2010 and 2050 (Projected\*)**



**Projected\* 2050 Population by Age and Ethnicity in Texas**



From 2010 to 2050,\* Texas is expected to add almost three million more children under age 18, and one million more adults age 18 to 24 — the traditional college age population. The population age 25 to 64 will grow by almost 7 million, while the numbers of those age 65 and older will swell by more than 5 million. Despite the increase in the number of children and young adults, people age 24 and younger will actually drop as a percentage of the population, from 37 percent to 33 percent. Meanwhile, people age 65 and older will increase from 10 percent to 19 percent. As Texas changes from a majority-White to majority-Hispanic state, and experiences an increase in the percentage of the elderly population, a significant difference emerges with respect to population by age. In 2050,\* 63 percent of children, 61 percent of 18- to 24-year-olds, and 56 percent of 25- to 44-year-olds will be Hispanic. By contrast, only 41 percent of those 65 and older will be Hispanic. The African-American population will remain relatively stable, at 9 percent to 11 percent of each age group. Increasingly, the future of Texas, including its economic prosperity, as well as the expertise needed to run business, government, and infrastructure, will depend on the education of its non-White populations, which historically have had lower incomes, higher rates of poverty, and lower likelihood of attending and completing college than Whites.

\* Based on the 0.5 scenario, which assumes half the net migration into state as was recorded from 2000 to 2010. The State Demographer suggests that the 0.5 scenario is most appropriate for long-term planning.

Source: Texas State Data Center and Office of the State Demographer, "Texas Population Projections Program: 2012 Population Projections", Population Projections for State of Texas by Age Group (<http://www.txsdcd.utsa.edu/Data/TPEPP/Projections/Index.aspx>).

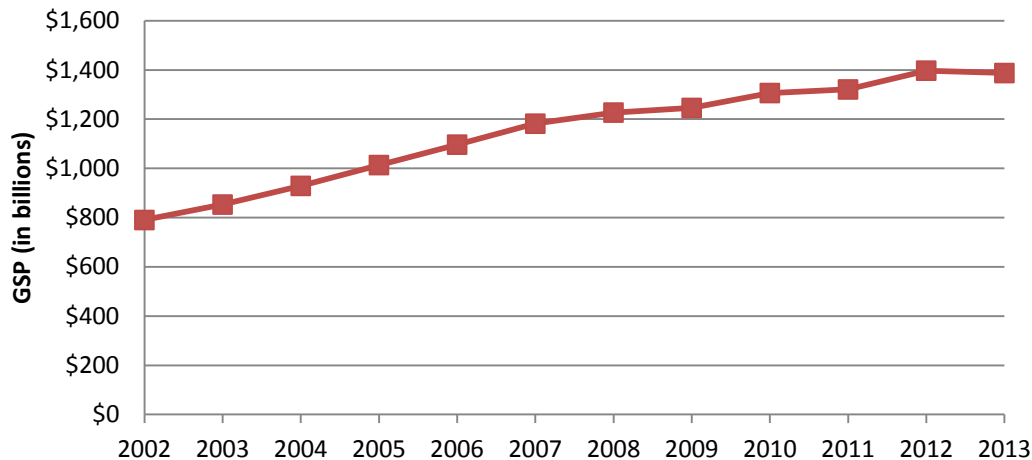


# Texas' Economy Is Second Largest in Nation

**Gross State Product, States with Highest Rates  
(FY 2013)**

Rank	State	GSP (Millions of Dollars)
1	California	\$2,050,693
2	Texas	\$1,387,598
3	New York	\$1,226,619
4	Florida	\$750,511
5	Illinois	\$671,407
6	Pennsylvania	\$603,872
7	Ohio	\$526,196
8	New Jersey	\$509,067
9	North Carolina	\$439,672
10	Virginia	\$426,423

**Texas' Gross State Product (2002-2013)**



Gross state product (GSP) is a measure of the economic output created by a state. Based on U.S. Bureau of Economic Analysis estimates, Texas' FY 2013 GSP was the second highest in the nation, behind California and just ahead of New York. The U.S. Bureau of Economic Analysis collects GSP data each fiscal year. Texas showed consistent economic growth between 2002 and 2012, but experienced a slight decline in GSP in 2013.

Despite the lack of economic growth, funding for Texas' major higher education financial aid programs was increased during the last legislative session, including a 25 percent increase in the Toward EXcellence, Access, and Success (TEXAS) Grant Program and a seven percent increase in the Texas Equalization Grant Program.

Sources: GSP: U.S. Department of Commerce, Bureau of Economic Analysis, "GDP By State Statistics", news release (June 11, 2014) ([http://www.bea.gov/newsreleases/regional/gdp\\_state/gsp\\_newsrelease.htm](http://www.bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm)); Aid Program Funding: Texas Higher Education Coordinating Board, "Higher Education Outcomes, 83rd Texas Legislature Higher Education Summary," 2013 (<http://www.theccb.state.tx.us/index.cfm?objectid=E7E9CDEB-D8A9-2C6B-12F12CCD893A5E2D&flushcache=1&showdraft=1>).

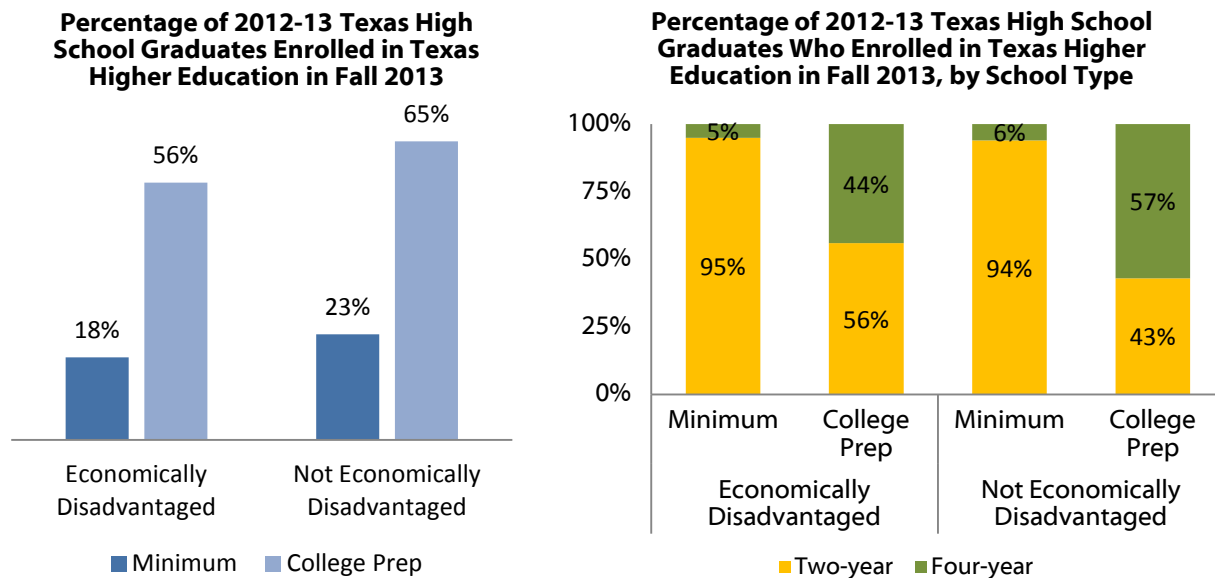


## SECTION 2

# Texas College Readiness



# A High School Curriculum of Academic Intensity Boosts College Success for Disadvantaged Students



Students whose parents have either low incomes or low educational levels are less likely to enroll in college than students from more advantaged backgrounds. But access to a high school curriculum of high academic intensity and quality, such as the Recommended or Distinguished achievement programs in Texas, can play a key role in students' success. A U.S. Department of Education study found that the intensity and quality of a student's high school curriculum has a bigger impact on bachelor's degree completion than either the student's high school test scores or the student's grade point average (GPA).

In 2012–13, high school graduates with College Prep\* diplomas were more likely to enroll in college immediately following graduation, with 56 percent of economically disadvantaged\* students with College Prep diplomas enrolling in college, compared to 18 percent of those with minimum diplomas. For students who were not economically disadvantaged, 65 percent of those with College Prep diplomas enrolled in college compared to 23 percent of those with minimum diplomas. "Economically disadvantaged" college-prepared high school graduates are also 13 percent less likely than college-prepared students considered "not economically disadvantaged" to enroll in a four-year college after graduation.

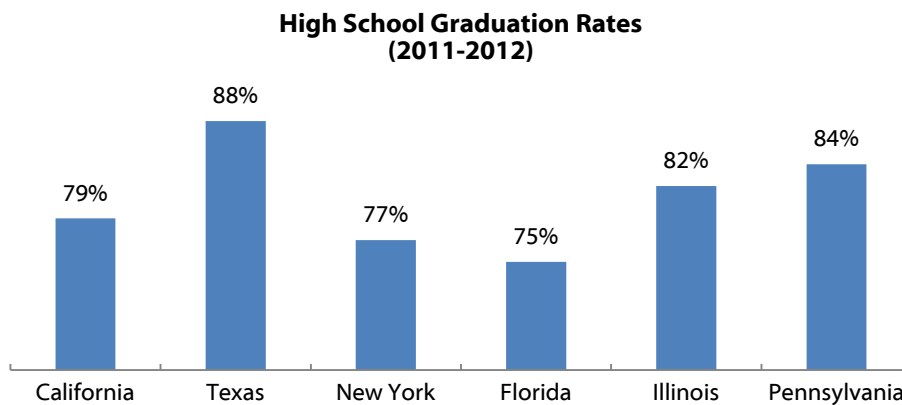
\*A high school student who graduates under either the Recommended or Distinguished achievement program is considered to have a College Prep program for the purposes of this analysis. The Recommended and Distinguished programs require more completed credits in mathematics, science, social studies, language other than English, and fine arts than the minimum program.

\*\* The Texas Education Agency (TEA) collects data on whether a student is "economically disadvantaged", based on the student's eligibility for free or reduced lunch as a proxy for family income. The TEA does not have detailed information about family income.

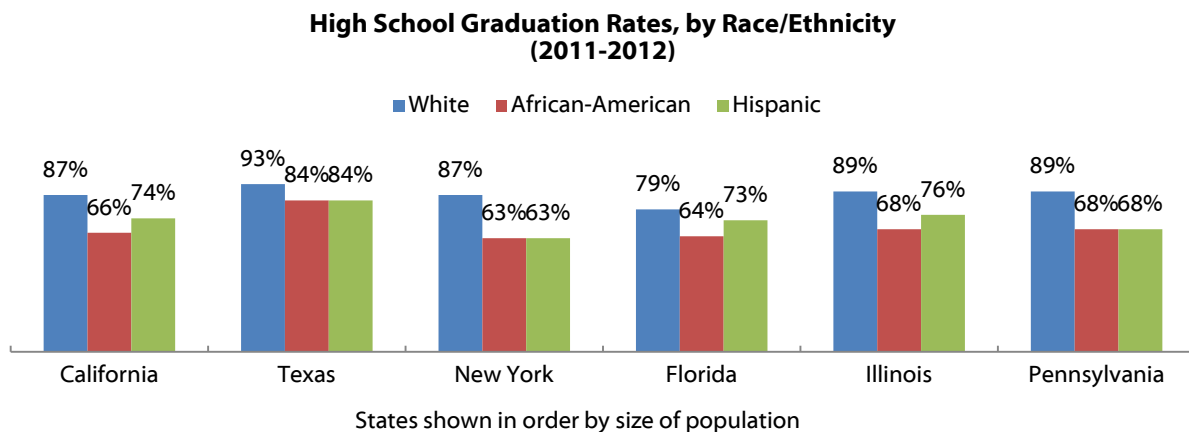
Sources: High school curriculum and degree completion: U.S. Department of Education, Office of Educational Research and Improvement, *Answers in the Tool Box: Academic Intensity, Attendance Patterns, and Bachelor's Degree Attainment*, by Clifford Adelman (1999) (<http://www2.ed.gov/pubs/Toolbox/toolbox.html>); All other: THECB, "2012-2013 Texas High School Graduates Enrolled in Higher Education Fall 2013, by Economic Category, Diploma Type, and Ethnicity" (unpublished tables).



# Texas Ranks Near Top in High School Graduation Rates



Texas ranked second in the nation for high school graduation rates in 2011-2012, tying with three other states at 88 percent. This is the second year that every state in the nation is using the same measure to report high school graduation rates. Previously, states used somewhat variable methods that could make comparisons between states difficult. Using a uniform method to calculate high school graduation rates across all the states, Texas ranked highest among the six most populous states in the nation. Texas also led the most populous states in graduation rates within racial and ethnic groups. Nationally, the overall graduation rate was 80 percent.



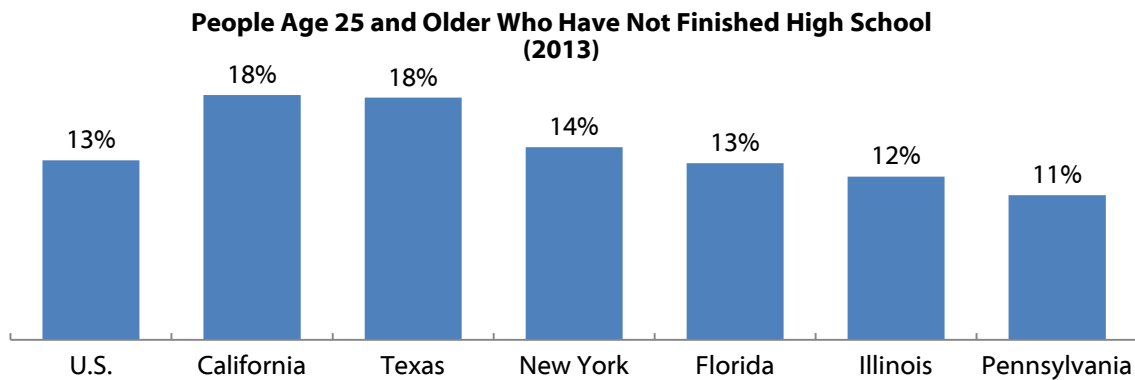
Texas has increased its high school graduation rates in recent years due in part to dramatically reducing the number of “dropout factory” high schools in the past 10 years. These schools are defined as having 60 percent or less of their ninth grade class still enrolled in their senior year.

The U.S. Department of Education helps states decrease the number of low performing schools by providing federal school improvement grants through the Office of School Turnaround. These grants target dropout factory high schools, other low performing high schools, and their feeder middle schools in an effort to increase the number of people in the country with at least a high school education. The Alliance for Excellent Education predicts that Texas would likely see a more than \$600 million increase in Gross State Product if it can reach a 90 percent graduation rate across the state in just a single high school class.

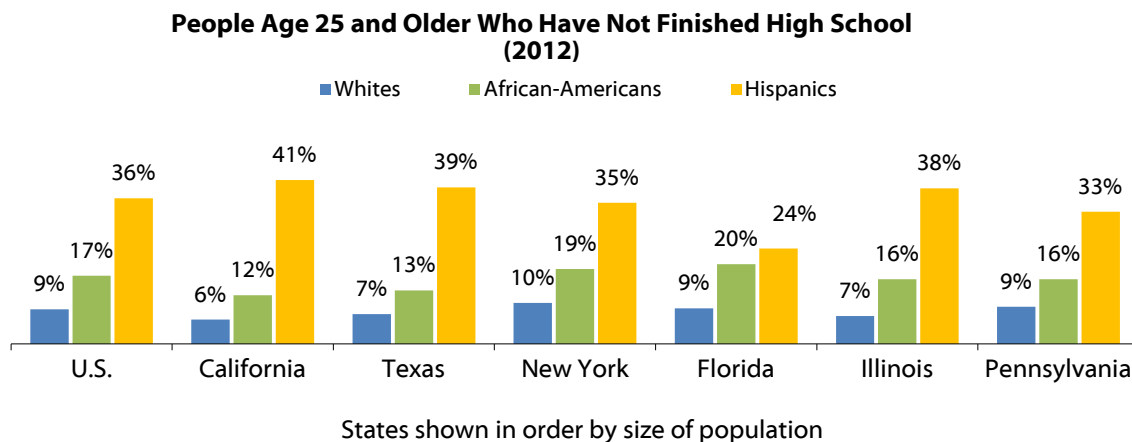
Sources: Graduation Rates: U.S. Department of Education, ED Data Express, Data about elementary and secondary schools in the U.S. (<http://www.eddataexpress.ed.gov/>); Uniform Graduation Rate: U.S. Department of Education Press Release, *States Report New High School Graduation Rates Using More Accurate, Common Measure*, November 26, 2012 (<http://www.ed.gov/news/press-releases/states-report-new-high-school-graduation-rates-using-more-accurate-common-measure>); All else: America's Promise Alliance, *Building a Grad Nation: Progress and Challenge in Ending the High School Dropout Epidemic*, 2012 Report (<http://www.americaspromise.org/our-work/grad-nation/building-a-grad-nation.aspx>).



# Texas Has Largest Percentage of People Age 25 and Older Lacking a High School Education



In 2013, 18 percent of people age 25 and older (or 3 million people) in Texas had not finished high school. This is the same percentage as California and is a higher percentage than any other state in the nation. In the U.S., 13 percent of adults had not finished high school. Not completing high school can have a detrimental effect on college access. However, overall high school diploma attainment in Texas might be improving. Recent Texas high school graduation rates rank Texas near the top compared to other states.



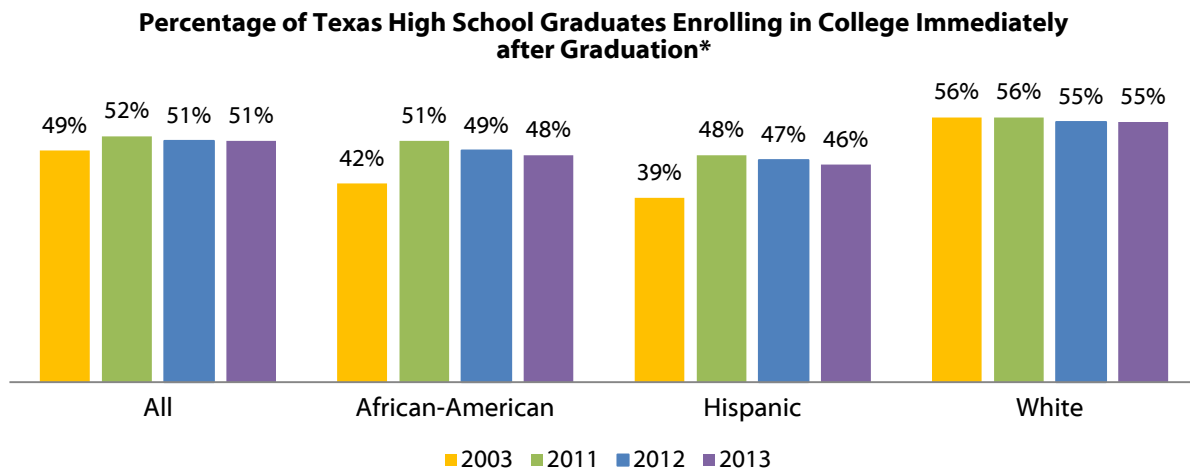
In addition, there are wide disparities in the completion rates of different racial and ethnic groups. Although these disparities exist in many areas of the country, they are particularly important for Texas, which has become a "minority-majority" state. At the high school level, data show that:

- Hispanics, who comprised over a third of the Texas population in 2012 and who are projected to comprise 54 percent by 2050, are the least likely to obtain a high school diploma. As of 2012, 39 percent of Hispanics age 25 and older had not finished high school. This continues a trend of improvement from 46 percent in 2006 and 40 percent just last year.
- Approximately 13 percent of African-Americans in Texas have not completed high school. This is a higher percentage than for Whites, but lower than for Hispanics. It also represents an improvement over 2006, when 17 percent of African-Americans had not finished high school.
- Among the six largest states, Texas ties for second in the completion rate of Whites, ranks second for African-Americans, and is next to last for Hispanics. Ironically, California, the only state to have better high school completion rates than Texas for Whites and African-Americans, is also the only state to have a worse completion rate for Hispanic students.

Sources: Population projection: Office of the State Demographer, Texas Population Projections, 2010-2050, January 2013, p. 3 ([http://osd.state.tx.us/Publications/2013-01\\_ProjectionBrief.pdf](http://osd.state.tx.us/Publications/2013-01_ProjectionBrief.pdf)); High school completion among 25 and older: U.S. Census Bureau, 2013 American Community Survey 1-Year Estimates, Detailed Tables (<http://www.census.gov/acs/www/>); High school graduation rates: U.S. Department of Education, ED Data Express, Data about elementary and secondary schools in the U.S. (<http://www.eddataexpress.ed.gov/>).



# Percentage of Texas High School Graduates Who Enroll in College Immediately after High School Decreases Slightly



The 2010 U.S. Census revealed that a smaller percentage of the Texas population participated in higher education than in other large states and the U.S. as a whole. About 9.5 percent of the Texas population age 18 and older was enrolled in higher education in 2010, versus 11.2 percent for California, 10.0 percent for New York, and 9.9 percent for the nation.

In 2000, Texas set the goal of “closing the gaps” in participation and success in higher education by 2015 by increasing the number of students enrolled and the number of degrees awarded. A 2006 goal revision called for the number of students enrolled to increase from the original goal of 500,000 by 2015 to 630,000 by 2015. Also, the goal for the overall number of degrees awarded by 2015 was adjusted from the original goal of 163,000 to 210,000.

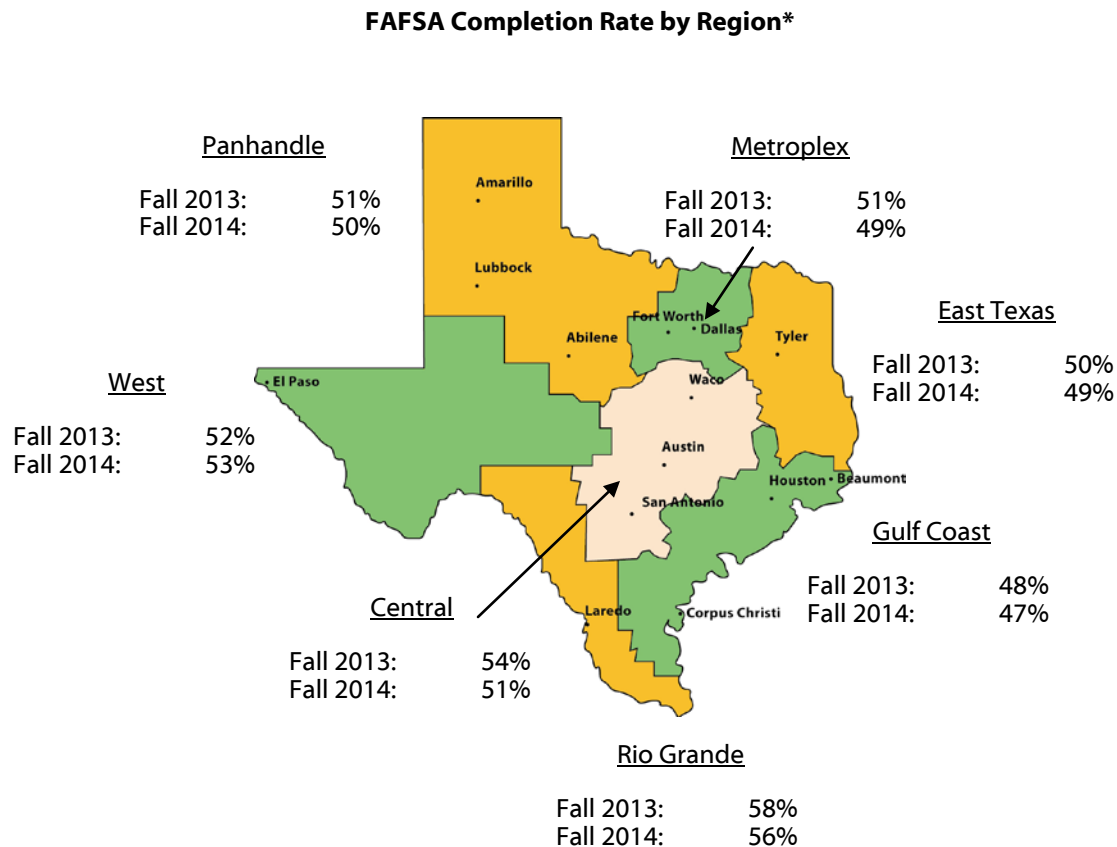
Although increasing the percentage of high school graduates who go on to college is not an official “closing the gaps” goal, the Texas Higher Education Coordinating Board (THECB) reports that the percentage of students entering college in the summer or fall immediately after high school graduation\* gradually increased from 2003 to 2011. However, in 2012 and 2013, this percentage decreased slightly across Texas. About 51 percent of all 2012 and 2013 Texas high school graduates enrolled in a Texas public college or university by that fall, up from 49 percent in 2003, but down from 52 percent in 2011. The percentage of Whites who enroll still exceeds the percentage of non-Whites; however, this gap is closing overall. For Hispanics, the percentage enrolling in college immediately after high school has increased greatly since 2003, although there has been a decline by two percent between 2011 and 2013. The percentage of African-Americans enrolling right after high school also decreased between 2011 and 2013, by three percent. Keeping track of this statistic is important, because delaying postsecondary enrollment after high school graduation is a risk factor for eventually dropping out of college.

\* Includes only Texas high school graduates who enrolled in a Texas public or private, nonprofit college or university. Data on students who enrolled at proprietary institutions or enrolled in out-of-state schools are not available. In AY 2007–2008, about 93 percent of Texas students who enrolled in college immediately after high school graduation were attending school in their state of residence.

Sources: “Closing the Gaps” goals: Texas Higher Education Coordinating Board (THECB) *Closing the Gaps*, October 2000 (<http://www.thecb.state.tx.us/reports/PDF/0379.PDF?CFID=11742258&CFTOKEN=38987795>); “Closing the Gaps” revised goals: Closing the Gaps Revised Goals and Targets for 2015 (<http://www.thecb.state.tx.us/reports/PDF/1176.PDF>); Percentage enrolled in higher education: U.S. Census Bureau, *Census 2000*, General Demographic Characteristics – DP-1 (population age 18 and over) and General Social Characteristics (population enrolled in higher education) (<http://www.census.gov/main/www/cen2000.html>); Texas high school students enrolling in college immediately after graduation: Texas Higher Education Coordinating Board (THECB) High School to College Linkages, 2013, “[High School Graduates Enrolled in Higher Education the Following Fall: State Summary by Ethnicity and Higher Education Sector, Fall 2000 to Fall 2013](http://www.txhighereddata.org/index.cfm?objectId=2783AAA6-ADCB-E35A-5BFC8F501DC1D65A)” (<http://www.txhighereddata.org/index.cfm?objectId=2783AAA6-ADCB-E35A-5BFC8F501DC1D65A>); All else: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2008 (<http://www.nces.ed.gov/das>).



# FAFSA Completions by Texas High School Graduates Decrease



The Free Application for Federal Student Aid (FAFSA) is the standardized financial aid application used by nearly all colleges and universities to award all types of financial aid. The form is administered by the Office of Federal Student Aid (FSA), part of the U.S. Department of Education. Many students and families do not realize that most colleges and universities use this form to award all financial aid, not only Federal loans and grants. By completing the FAFSA, students and their families may have access to more financial options and may be able to make more informed decisions about college enrollment. Because of the importance of filling out the FAFSA and the strong correlation between FAFSA completion and college attendance, FSA has recently made data on FAFSA completion available to high schools and the public.

With the exception of the Gulf Coast region, 50 percent or more of the seniors in the high school class of 2012-2013 completed the FAFSA. However, the completion rate decreased for the class of 2013-2014 in all regions but West Texas. Schools in the Rio Grande Valley had the highest completion rate, 56 percent.

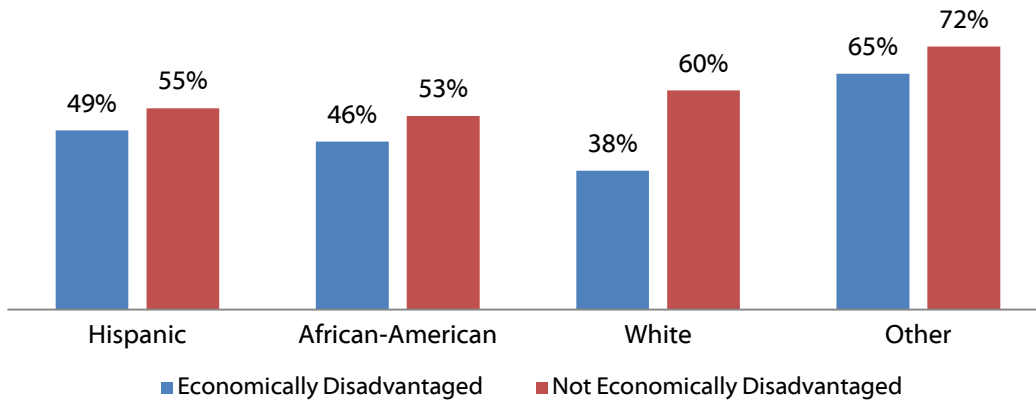
\* Fall 2013 represents the class of 2012-2013 high school seniors completing the FAFSA as of September 6, 2013; Fall 2014 represents the class of 2013-2014 high school seniors completing the FAFSA as of September 5, 2014.

Source: U.S. Department of Education, Office of Federal Student Aid, *FAFSA Completion by High School* (<http://studentaid.ed.gov/about/data-center/student/application-volume/fafsa-completion-high-school>). Number of high school seniors from Texas Education Agency, special request.



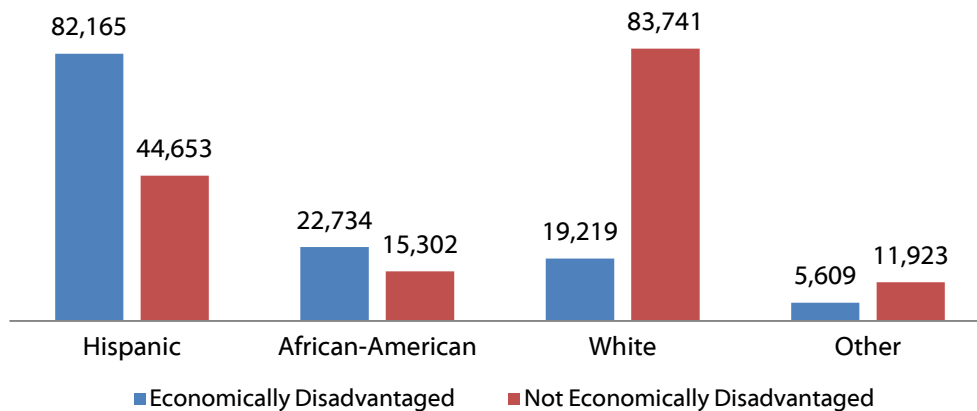
# Low-Income Texas Students Are Less Likely to Enroll in College

**Percentage of 2012-13 Texas High School Graduates Enrolled in Texas Higher Education in Fall 2013, by Ethnicity**



Economically disadvantaged\* high school graduates in Texas are less likely to enroll in college. This is true across all racial and ethnic categories, but it is especially pronounced for White students.

**Number of 2012-13 Texas High School Graduates, by Ethnicity**



However, only 19 percent of White students are considered to be economically disadvantaged, while 65 percent of Hispanic students and 60 percent of African-American students are considered economically disadvantaged.

\*The Texas Education Agency (TEA) collects data on whether a student is “economically disadvantaged” based on the student’s eligibility for free or reduced lunch as a proxy for family income. The TEA does not have detailed information about family income.

Sources: The Texas Higher Education Coordinating Board, “2012-2013 High School Graduates Enrolled in Higher Education Fall 2013, by Diploma Type and Ethnicity” (unpublished tables).



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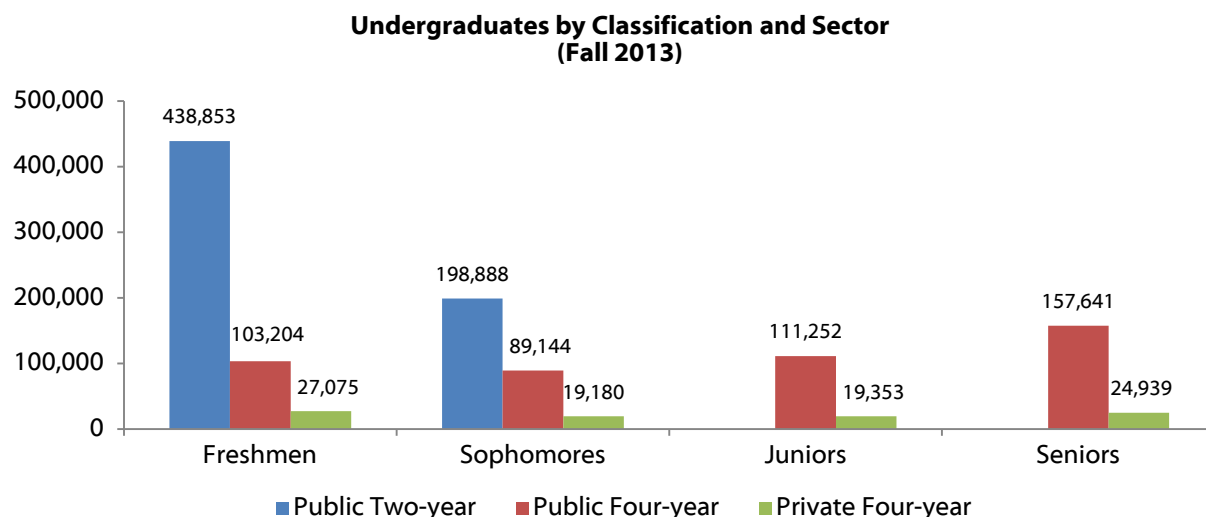


### SECTION 3

# Profile of Texas College Students



# Most Undergraduates in Texas Attend Two-year Institutions



Public colleges and universities in Texas enrolled a total of 1,452,162 undergraduate and graduate students in fall 2013. The number of undergraduates at public two-year institutions in Texas far exceeds the number at public four-year institutions, especially for freshmen. In fact, 81 percent of all freshmen attending Texas public institutions of higher education in fall 2013 were enrolled at two-year colleges (up from 76 percent in fall 2000), and only 19 percent were enrolled at four-year universities.

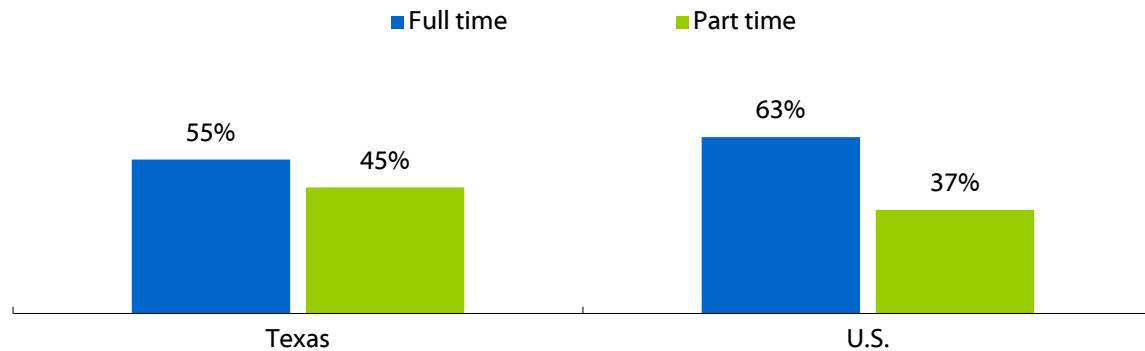
At public four-year universities, about 79 percent of students are undergraduates, but their distribution across grade levels is not consistent. At 27 percent, seniors made up the largest proportion of public four-year undergraduates in fall 2013, while sophomores represented the smallest proportion with only 15 percent. The higher number of seniors suggests that some students may be classified as seniors for more than one year.

Private, nonprofit four-year universities enrolled a total of 121,833 undergraduate and graduate students in fall 2013, or 8.4 percent of postsecondary students in Texas\*. Though the percentage of undergraduates, at 74 percent, is similar to the percentage at public four-year universities, the distribution across grade levels is not. About 22 percent of private students are freshmen and about 20 percent are seniors, with sophomores and juniors taking up about 16 percent each. These distributions may indicate that private universities have lower freshman retention rates but higher graduation rates for students who persist to upper classifications.

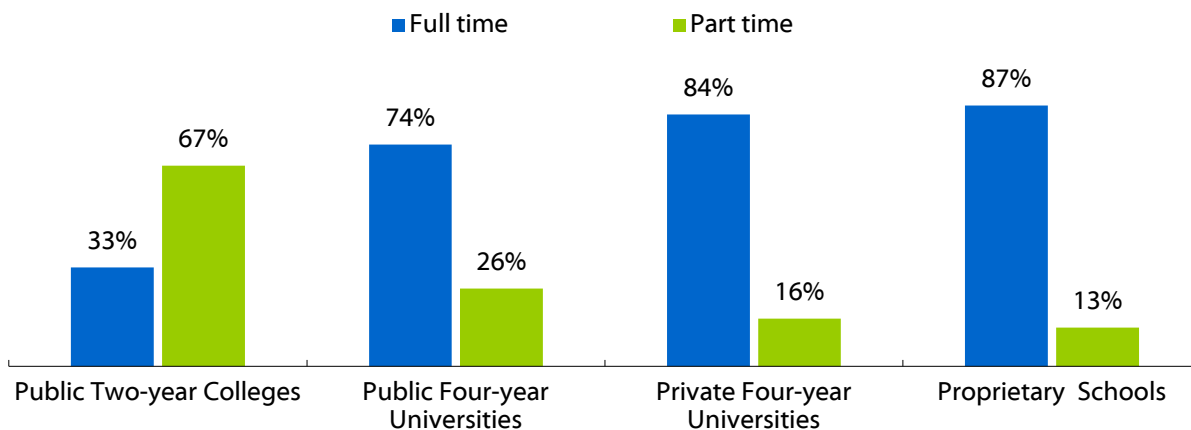
\*Excluding proprietary enrollment.

# Nearly Half of Undergraduates in Texas Enroll in School Part Time

**Enrollment Intensity of Undergraduates in Texas and the U.S.  
(Fall 2012)**



**Enrollment Intensity of Undergraduates in Texas by School Sector  
(Fall 2012)**



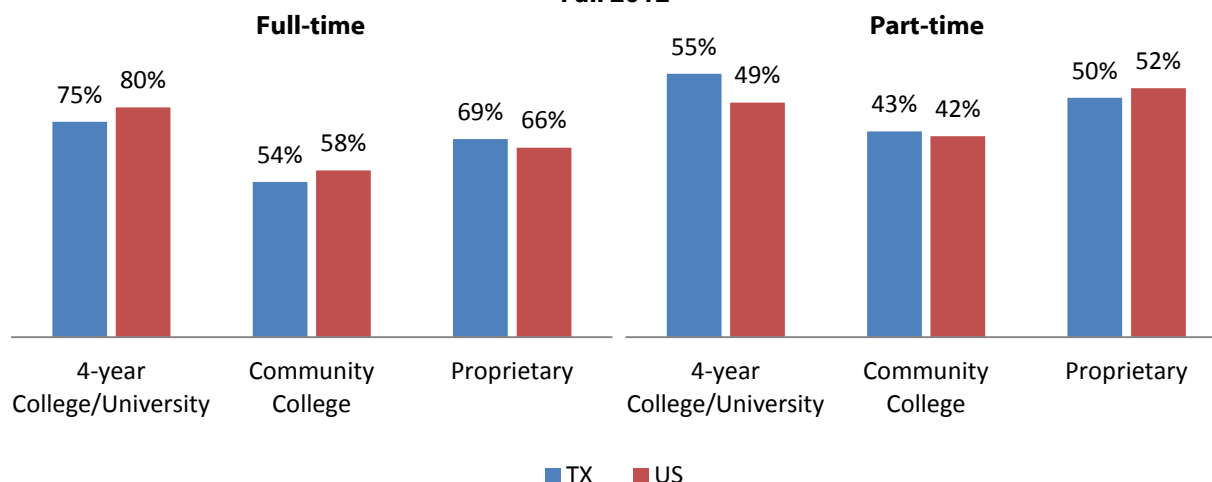
Part-time enrollment is more common in Texas than in the nation as a whole. As of fall 2012 about 55 percent of undergraduates in Texas were classified as full-time students. Full-time attendance is highest at proprietary colleges, followed closely by private four-year universities, then public four-year universities. At public two-year colleges, the largest sector by enrollments, only about a third of students attend full-time. Reasons for part-time enrollment vary but may pertain to financial concerns like employment or limited money for education expenses. For several reasons, students who attend part-time are at a greater risk for dropping out of school.

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2013 (<http://nces.ed.gov/ipeds/>).



# Texas Trails Average National Retention for Full-time Students, Exceeds the Average for Part-time Students

**Average\* First-Year Retention Rates by Enrollment Intensity and Sector for U.S. and Texas Postsecondary Institutions, Fall 2012**



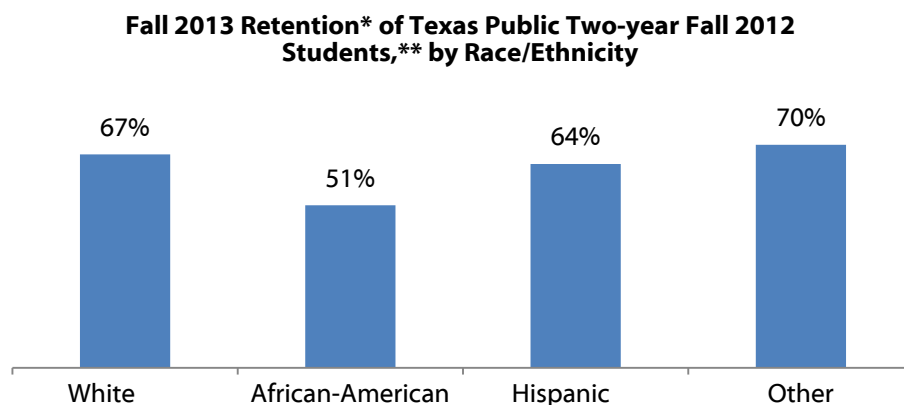
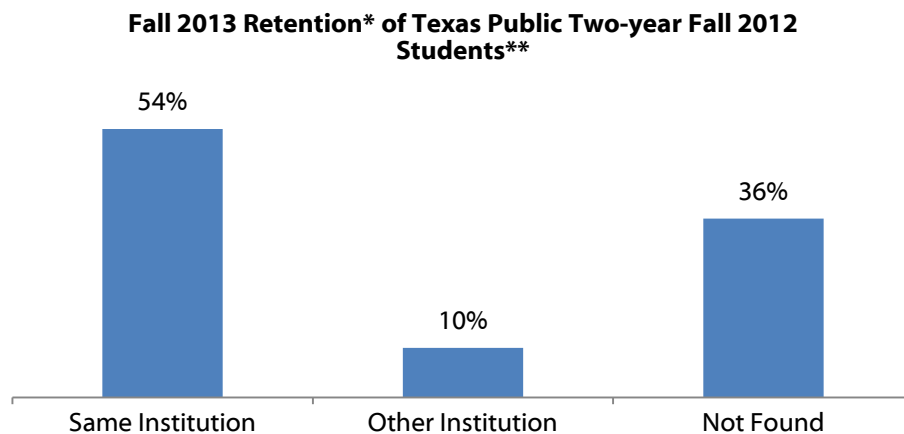
While Texas lags behind the nation in first-year retention rates for full-time students, particularly at four-year institutions, it has higher than average retention rates for part-time students at four-year institutions. The first-year retention rate is the percentage of the first-year fall enrollment in a given year that has either returned to the program or graduated by the fall of the following year. Among both full-time and part-time students, community colleges have the lowest retention rates. The four-year sector experienced the most dramatic difference in retention rates between the two groups of students, at 20 percentage points in Texas and 31 percentage points nationwide. Nationally in both the four-year and proprietary sectors, 75 percent or more of enrollments in fall 2012 were full-time students, and 39 percent of enrollments in the community college sector were full-time students. In Texas, full-time students make up 75 percent of enrollments in the four-year sector, 33 percent of enrollments in the community college sector, and 87 percent of enrollments in the proprietary sector.

Both in Texas and for the nation as a whole, full-time students are far more likely to persist into their second year than part-time students.

\*This is a weighted average, meaning it is calculated as the average of institutional first-year full-time and part-time retention rates (retention rate of prior year's first-year students) weighted by full-time and part-time enrollments, respectively.

# More than One-Third of Community College Students Are Not Retained

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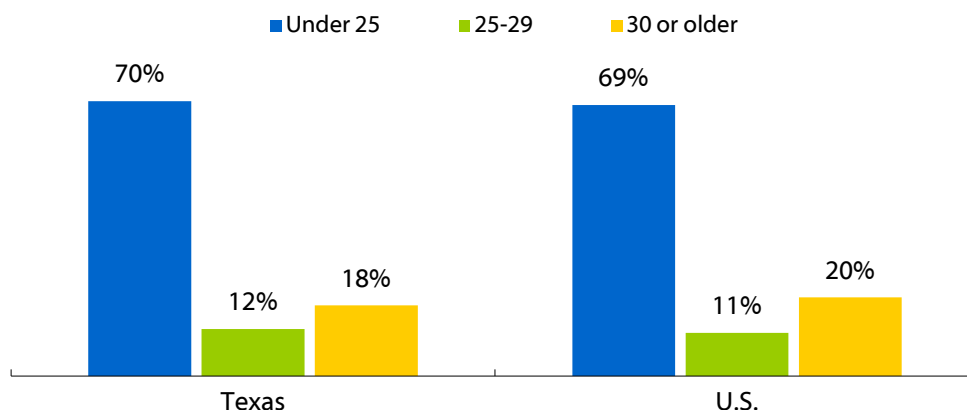
Among Texas two-year college students who were enrolled in fall 2012 and did not graduate that year, about 64 percent continued their education at a Texas institution in fall 2013. Fifty-four percent of students continued at the same institution, and 10 percent continued at a different community college or transferred to a four-year institution. The 36 percent of non-graduates who were “not found” either dropped out or transferred to non-Texas institutions; it is likely that most left school entirely. Students in the “Other” category (includes Asian, International or other race/ethnicity) were the most likely to persist in postsecondary education in Texas, at 70 percent. African-American students were the least likely, at 51 percent.

\*Average of institutional retention rates for Texas institutions by race/ethnicity weighted by enrollments by race/ethnicity

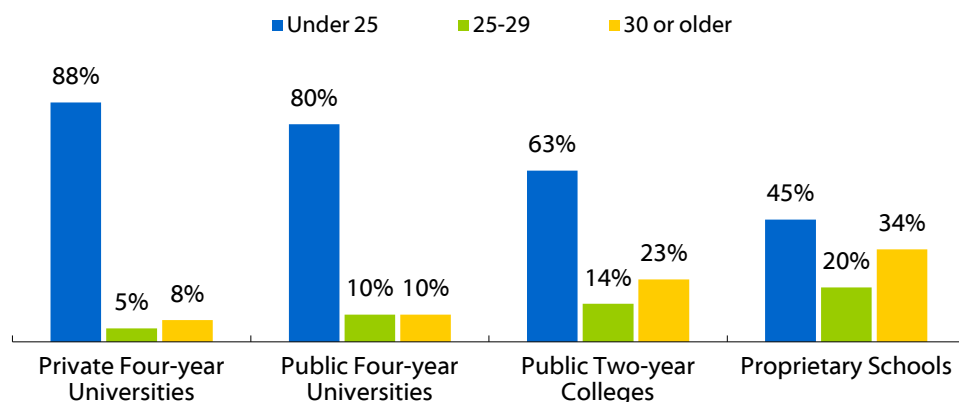
\*\* Includes first-time, full-time, credential seeking two-year college students who persisted or left without receiving an award or degree.

# Over Thirty Percent of Undergraduates in Texas Are Age 25 or Older

**Age of Undergraduates in Texas and the U.S.  
(Fall 2012)**



**Age of Undergraduates in Texas by School Sector  
(Fall 2012)**



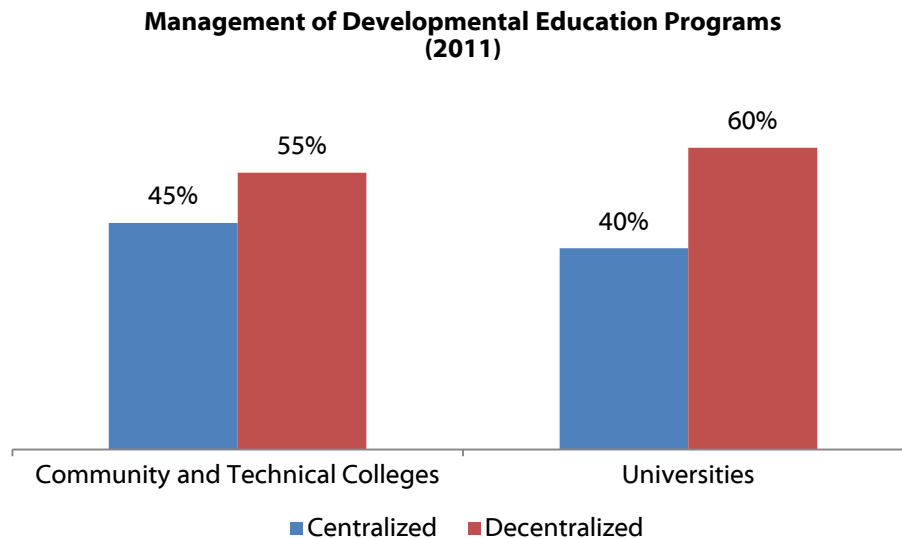
Of all Texas undergraduates in fall 2012, about 70 percent were under age 25, 12 percent were between age 25 and 29, and 18 percent were age 30 or older. In the U.S. as a whole, older undergraduates are marginally more common, with 69 percent of fall 2012 undergraduates under the age of 25, 11 percent between age 25 and 29, and 20 percent age 30 or older.

About four in five undergraduates at public four-year universities and almost nine out of ten at private four-year universities are under the age of 25. There are about the same percentage of students older than 30 at public universities as those between age 25 and 29. At public two-year colleges, 63 percent of students are under age 25. Proprietary schools and public two-year colleges have higher percentages of older undergraduates. About one in three undergraduates at proprietary schools and almost one in four undergraduates at public two-year colleges is age 30 or older.

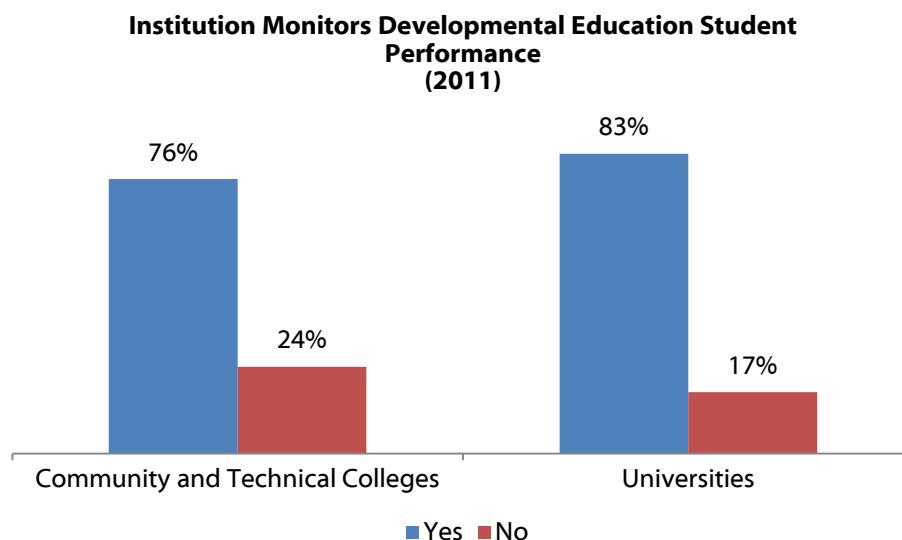
Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2013 (<http://nces.ed.gov/ipeds/>).



# Most Texas Public Colleges and Universities Have Decentralized Developmental Education Programs



Less than half of Texas public colleges and universities have all of their developmental education courses and staff under one department, with over half using a decentralized approach. Centralized programs tend to be more successful at getting students through the courses and into college-level coursework. Of those using a decentralized management approach, 51 percent of the community and technical colleges and 81 percent of universities employed a developmental education coordinator to facilitate coordination between programs.

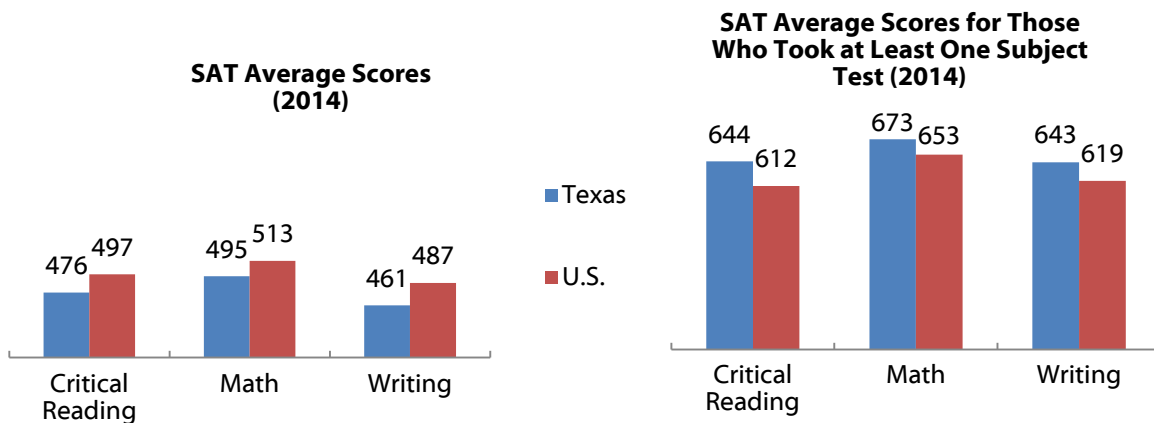


Over three quarters of colleges and universities in Texas use faculty, academic advisors, peer advisors, or others to monitor the academic performance of their developmental education students. Of those that do monitor, most also have an early warning system that uses certain indicators to alert the monitoring agents that the student is at risk for academic failure. Of schools that monitor developmental education students, 75 percent of the community and technical colleges and 87 percent of universities also have an early warning system.

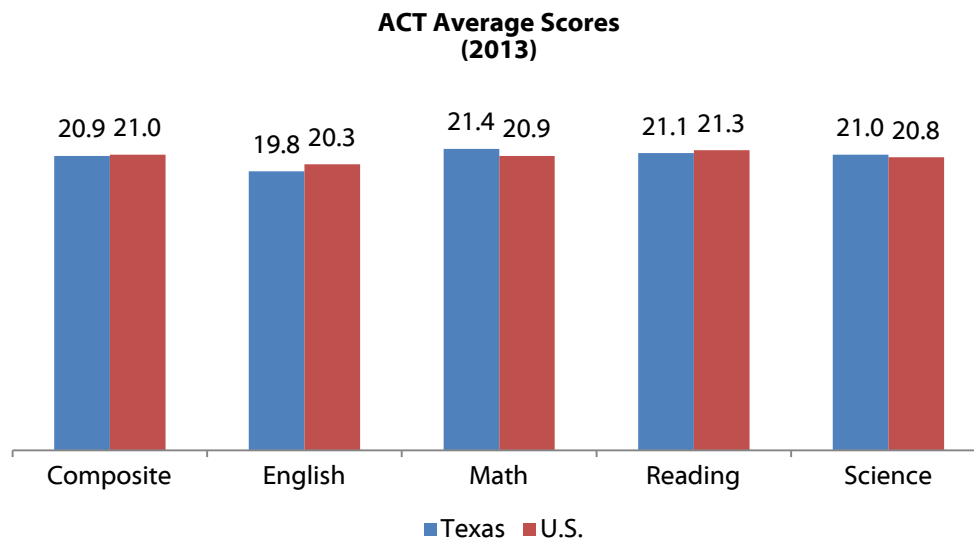
Source: Texas Higher Education Coordinating Board (THECB), Developmental Education Program Survey, Summary Reports (<http://www.txhighereddata.org/interactive/DEPS.cfm>).



# Texas SAT Subject Test Takers Earn Higher Scores



More than 179,000 Texas high school seniors and 1.67 million high school seniors nationwide — well over half the total graduating class for both groups — took the SAT in the 2013–2014 school year. Average SAT scores are lower in Texas compared to the U.S. in all categories. In Texas, six out of ten test takers in Texas were minority students. Additionally, almost one out of three students used a fee waiver. Nationally, less than half of test takers were minority students and less than one in four used a fee waiver. Only 34 percent of test-takers in Texas met the SAT College and Career Readiness benchmark, compared to 43 percent nationally. However, Texas students who took the SAT and at least one SAT subject test outperformed national averages by notable margins. Nationwide, about 14 percent of those who took the SAT also took at least one subject test. In Texas, only about 5 percent of SAT takers also took a subject test, but that 5 percent represents an exceptionally qualified pool of students that outperforms the national average.



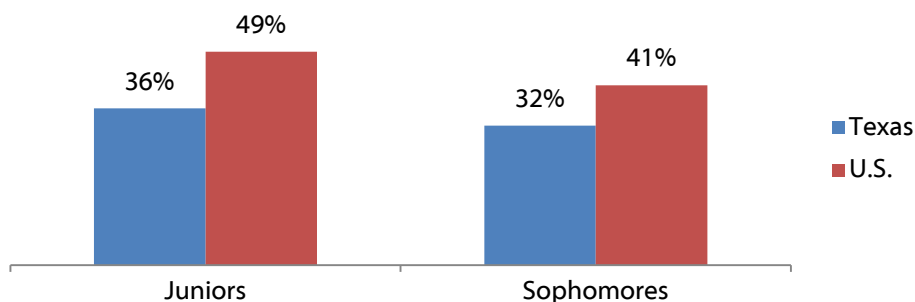
The American College Test (ACT) is less popular in Texas than the SAT, but may be gaining in popularity. Forty percent of 2013-2014 Texas high school graduates took the ACT, up from 30 percent or a 52 percent increase since 2007. Compared to the nation as a whole, 57 percent of high school graduates took the exam. While average ACT composite scores in Texas have often lagged slightly behind national averages, the average composite score for 2013-2014 Texas graduates mirrored that of the nation as a whole, with slight variations in each subject area.

Source: SAT: The College Board, SAT Data & Reports, College-Bound Seniors 2014 <http://research.collegeboard.org/programs/sat/data/cb-seniors-2014>, ACT: ACT, National and State Scores 2012 (<http://www.act.org/newsroom/data/>).



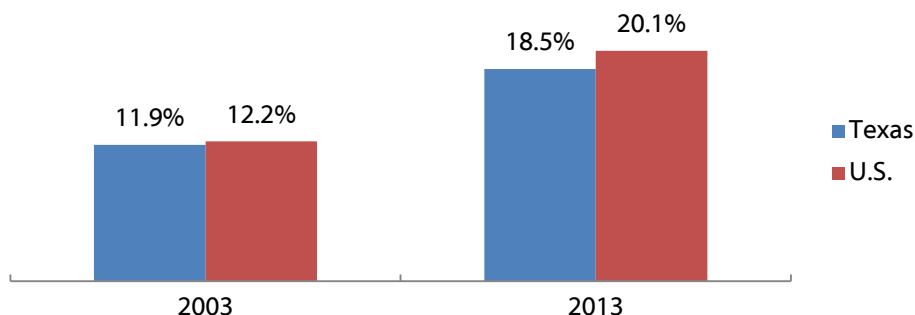
# Texas High School Students Lag behind Students Nationally in College Readiness

**PSAT/NMSQT Test Takers Who Are on Track to be College Ready  
(2013-2014)**



The Preliminary SAT (PSAT) and National Merit Scholar Qualifying Test (NMSQT) are taken by high school sophomores and juniors. The tests help the students prepare for the SAT and prompt them to begin planning for college. The College Board has developed college readiness benchmark scores that students should meet or exceed in order to be considered on track for college readiness. Based on this measure, Texas sophomores and juniors lag behind their national peers in college readiness.

**Percentage of 2013 High School Seniors Scoring at Least a 3  
on at Least One AP Test in High School**

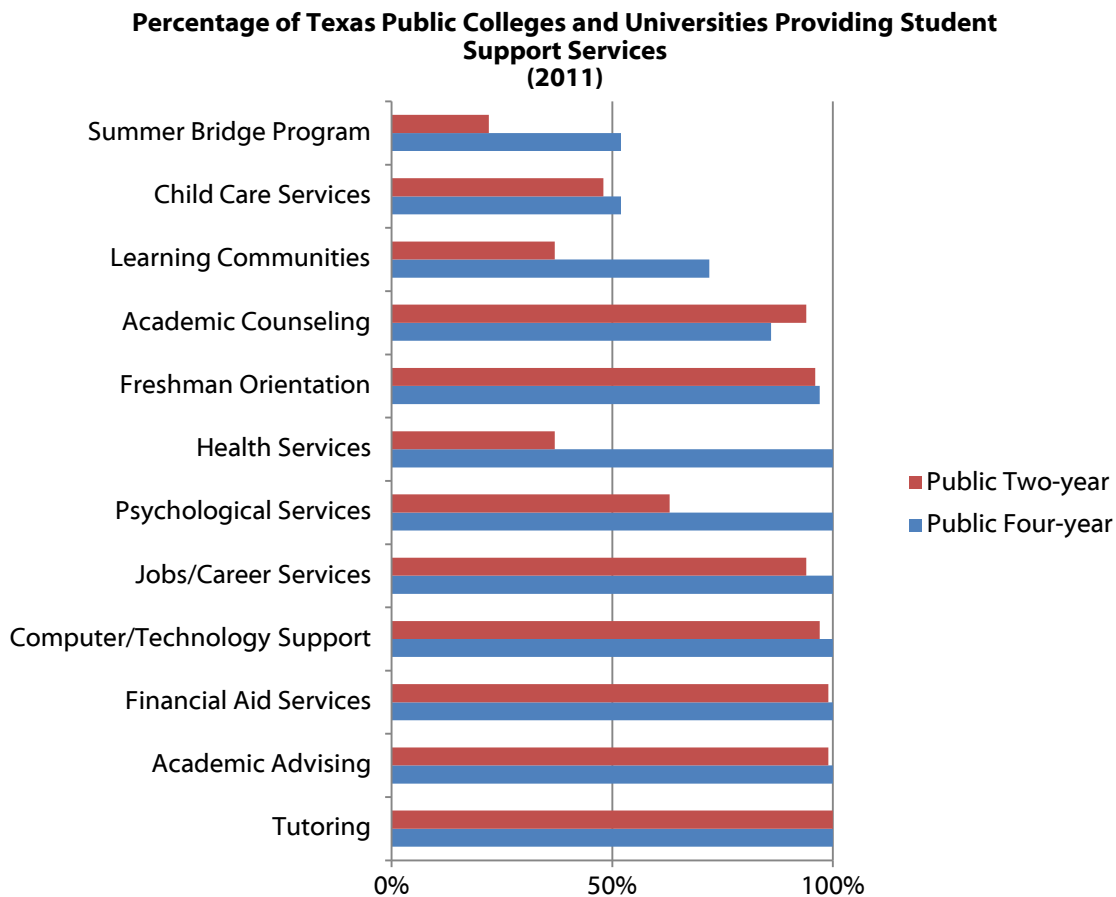


The Advanced Placement (AP) program offers more than 30 college-level courses and examinations to high school students, though a student can take an exam without having taken the course. These courses satisfy high school diploma requirements, and sufficient scores on the exams can help students gain admission to competitive colleges and even earn college credit (at the institution's discretion). Since 2005, all public higher education institutions in Texas that have freshman level courses have been required to grant credit to incoming students who earn a 3 or higher on an AP exam.

35.9 percent of 2013 high school graduates in Texas took an AP exam in high school, compared to 33.2 percent for the nation as a whole. Although a higher proportion of Texas graduates took exams, Texas trailed the nation in success rates, with 18.5 percent of all high school seniors earning at least a 3 on an AP exam compared to 20.1 percent nationally.



# Texas Public Two-year Colleges More Likely to Offer Child Care Services Than Health Services



All or nearly all Texas public universities offer 9 of the 12 student support services included in the Texas Higher Education Coordinating Board's program survey. Nearly three-quarters offer learning communities and about half offer child care services and summer bridge programs. All or nearly all Texas community colleges offer 7 of the 12 services. Half offer child care services while only about one-third offer health services.

Generally, a learning community is a group, or "cohort," of students who co-register for multiple classes and often study together and engage in other group activities. A cohort may, but does not always, comprise the entire enrollment of its shared courses. Typically, cohorts and their courses are linked by common academic interests; for instance, English majors might co-enroll in a literature course and a writing course. These communities can bolster student learning and social bonding and enhance campus integration, all of which improve retention rates.

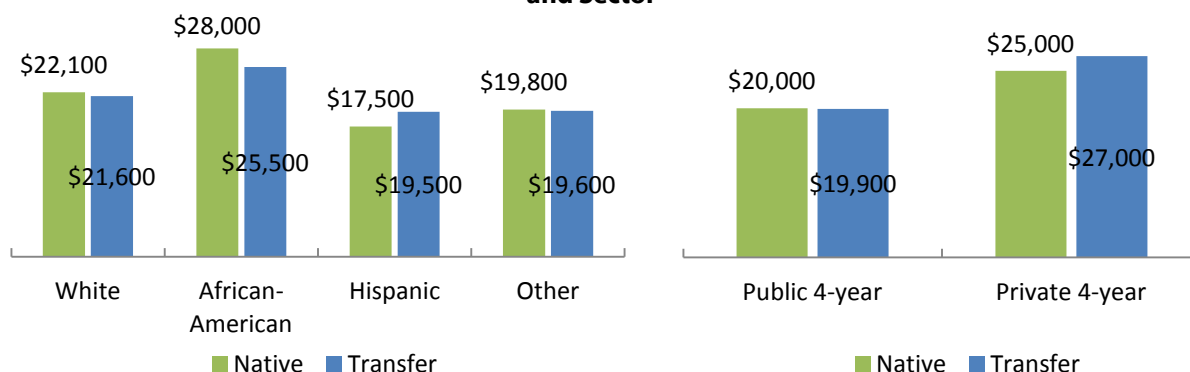
Summer bridge programs help incoming college students get up to speed with math, reading, and/or writing before their freshman year begins. These programs provide an opportunity for general acclimation and often allow students to complete developmental coursework so they can enroll in college-level courses in the fall. A recent evaluation of eight summer bridge programs at Texas schools found that the students who attended the programs were more likely to pass their college-level courses than students who waited until the fall to take developmental coursework.

Sources: Learning Communities: MDRC, Learning Communities and Student Success in Postsecondary Education, 2005 (<http://www.mdrc.org/publications/418/full.pdf>); Summer Bridge Programs: National Center for Postsecondary Research, "Getting Ready for College", October 2011 (<http://www.postsecondaryresearch.org/i/a/document/DSBReport.pdf>); All else: Texas Higher Education Coordinating Board (THECB), Developmental Education Program Survey Summary Reports (<http://www.txhighereddata.org/interactive/DEPS.cfm>).

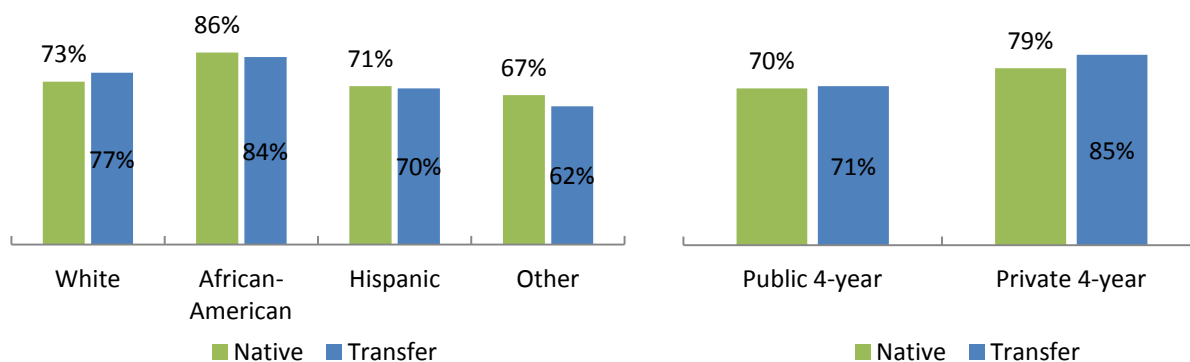


# Transfer Students Borrow about as Often and Nearly as Much as Native Students

**U.S. Low-income AY 2007-2008 Bachelor's Recipients' Median Cumulative Loan Debt through AY 2007-2008, by Race/Ethnicity and Sector**



**Percentage of U.S. Low-income AY 2007-2008 Bachelor's Recipients Who Borrowed Any Student Loan, by Race/Ethnicity and Sector**



Students with incomes at or below the median income of all university students borrowed about the same student loan amounts, regardless of whether they started at a two-year college or a four-year university. Most transfer students were not able to avoid borrowing by starting at a community college and generally borrowed more than native students during their final years of college. Transfer students also tended to receive less grant and institutional aid than native students, especially at four-year private universities, which likely increased their need to borrow at their four-year institutions.

Many factors contribute to higher borrowing among transfer students. Transfer students tend to receive less grant aid, but they also tend to enroll at schools that provide less grant aid to all students, to have lower incomes and lower SAT scores, and to take significantly longer to finish their degrees. Prospective transfer students face many challenges. According to a 2009 study by the National Center for Education Statistics, only about one third of community college students who intend to transfer to a university actually end up doing so within three years, and several studies have reported better academic outcomes for students of four-year universities versus community colleges. High school students should consider these trends as well as their individual goals and circumstances in making their postsecondary enrollment decisions.

Sources: Percent Who Transfer: U.S. Department of Education, National Center for Education Statistics, On Track to Complete? A Taxonomy of Beginning Community College Students and their Outcomes 3 Years after Enrolling: 2003-04 through 2006, July 2009 (<http://nces.ed.gov/pubs2009/2009152.pdf>); All Else: U.S. Department of Education, National Center for Education Statistics, Baccalaureate and Beyond Longitudinal Study 2009 (<http://nces.ed.gov/surveys/b&b/>).



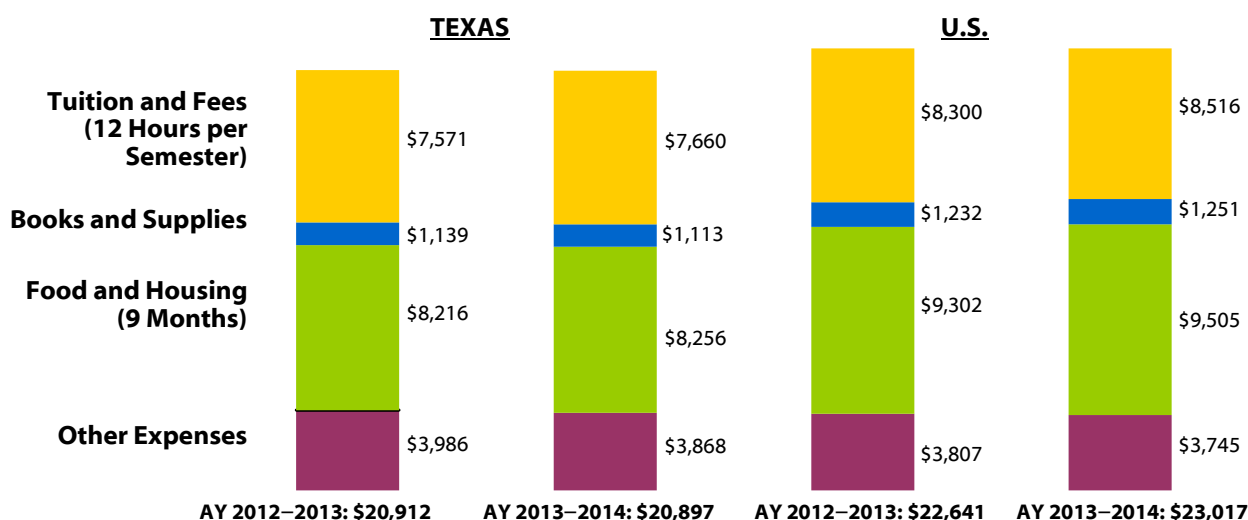
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#### SECTION 4

## Cost of Education and Sources of Aid in Texas

# Texas Public Four-year University Cost of Attendance below National Average

**Average Public Four-year University Cost of Attendance (Weighted for Enrollment\*) for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S. (AY 2012–2013 and AY 2013–2014)**



The tuition and fees charged to students, along with living expenses, books and supplies, transportation, and other expenses, constitute a school's cost of attendance, or "sticker price." Weighted for enrollment,\* two semesters of full-time\*\* undergraduate education at a Texas public four-year university averaged \$20,897 in Award Year (AY) 2013–2014. This amount was \$2,120 less than in the U.S. Total expenses in Texas have been under the national average for many years. With the exception of the "other expenses" category, all types of costs in Texas are lower than their corresponding national averages. The primary expenses facing students are not tuition and fees, but food and housing, which make up 40 percent of the cost of attendance, also known as the budget. These costs are not discretionary: students must eat, and unless they live with parents — and 68 percent of U.S. public university undergraduates do not — they must pay rent. Together, food, housing, and other expenses comprise nearly 60 percent of the student budget, while tuition and fees make up just over a third. From 2013 to 2014, total costs have dropped by \$15 in Texas, but risen nationally by \$376.

Sticker price is the starting point for determining financial aid. From the sticker price, the student's expected family contribution (EFC)\*\*\* is subtracted to arrive at the student's financial need. Once financial need is determined, an aid package, consisting primarily of grants and loans, can be developed. What students actually pay for college depends on a number of factors, including the aid they receive and how frugally they live, as well as their enrollment and work patterns. To cut costs, many students enroll part time, work long hours, or both — but these strategies may increase their chance of dropping out of school without completing their program of study.

\* An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.  
 \*\* 12 semester hours or more.

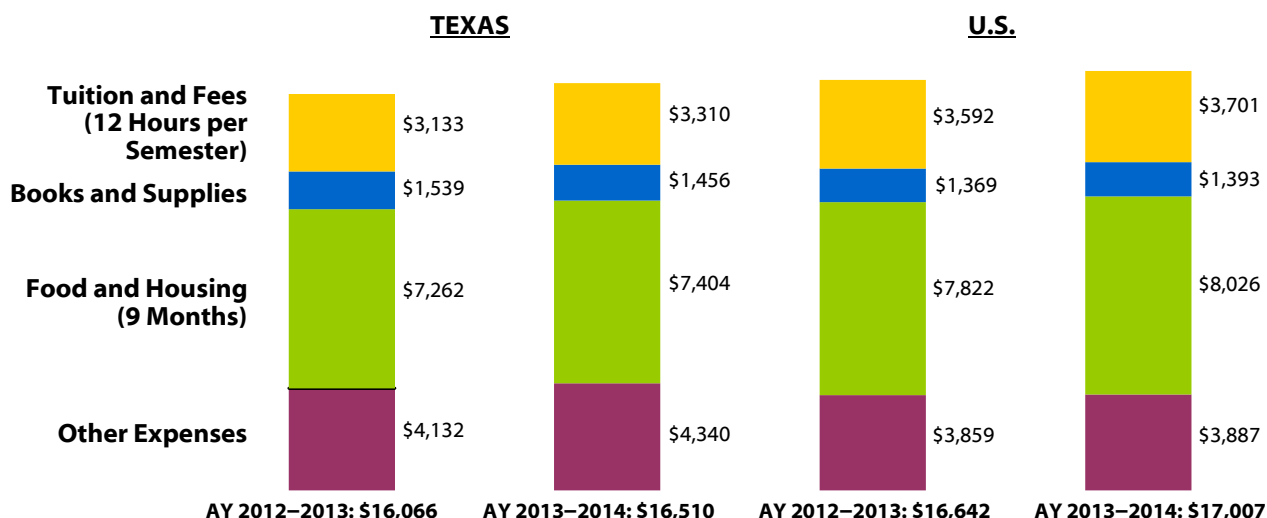
\*\*\* EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2011–2012, 22 percent of dependent undergraduates enrolled at public four-year universities nationwide reported that they received no help from their parents in paying tuition and fees.

Sources: All Costs and Enrollments for 2013–2014: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2013 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2012–2013: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2012 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<http://www.nces.ed.gov/das>).



# Texas Public Two-year Colleges Cost Less Than National Average

**Average Public Two-year College Cost of Attendance (Weighted for Enrollment\*\*) for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S. (AY 2012–2013 and AY 2013–2014)**



Forty-four percent of Texas postsecondary students were enrolled in public two-year colleges in Award Year (AY) 2013–2014. The cost for two full-time\* semesters at Texas public two-year colleges, weighted for enrollment,\*\* averaged \$16,510 in AY 2013–2014. This is an increase of \$444 over the Texas average in AY 2012–2013, and is \$497 less than the AY 2013–2014 national average. Costs in nearly all categories have increased in Texas and nationally since AY 2012–2013, with the largest increase occurring in the other expenses category in Texas and the food and housing category in the nation.

The “sticker price” of a school is the total cost of attendance for a student, which includes tuition and fees, books and supplies, and living expenses. The student’s financial need is determined by subtracting the expected family contribution (EFC) \*\*\* from the sticker price, which is the basis for determining the financial aid package. This package consists primarily of grants and loans. The actual amount that students pay for college depends upon factors such as how much and what type of aid they receive, how frugally they live, the number of credit hours they take, and whether or not they work. To save money, students may enroll in school part time, work long hours, or both — but these strategies may increase their chance of dropping out of school without completing their program of study.

\* 12 semester hours or more.

\*\* An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

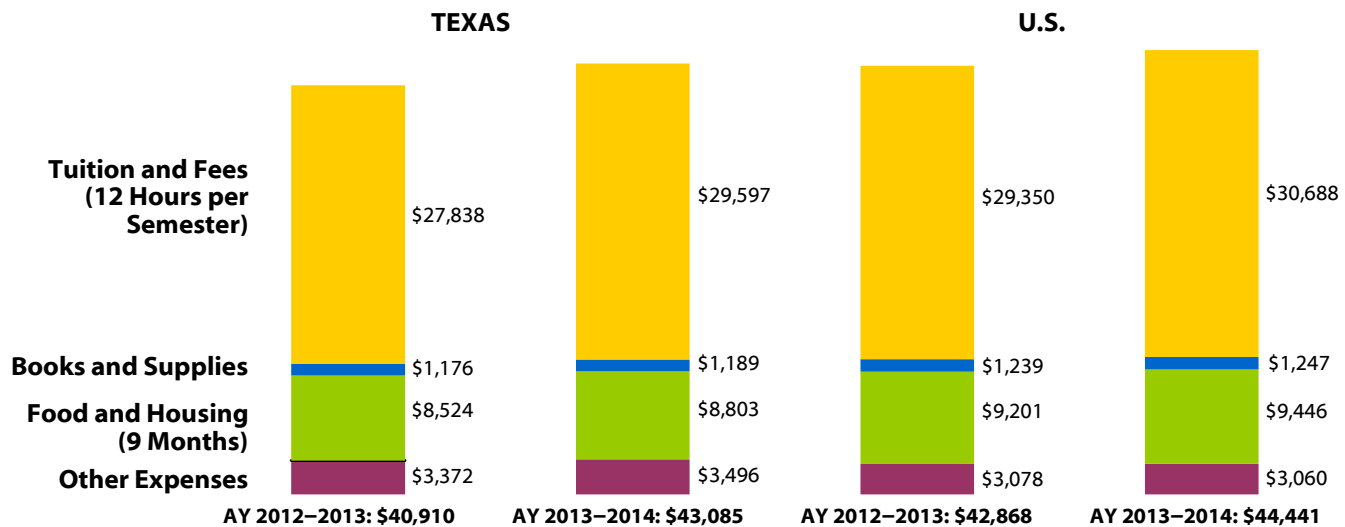
\*\*\* EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2011–2012, 31 percent of dependent undergraduates enrolled in public two-year colleges nationwide reported that they received no help from their parents in paying tuition and fees.

Sources: All Costs and Enrollments for 2013–2014: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2013 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2012–2013: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2012 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<http://www.nces.ed.gov/das>).



# Costs at Texas Private Four-year Universities Still Less Than National Average

**Average Private Four-year University Cost of Attendance (Weighted for Enrollment\*) for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S. (AY 2012–2013 and AY 2013–2014)**



The increase from Award Year (AY) 2012–2013 to AY 2013–2014 of the average cost of attendance at private four-year universities in Texas, at \$2,175, was due almost entirely to an average \$1,759 increase in tuition and fees. Weighted for enrollment,\* the total cost of attendance for undergraduates at Texas private four-year universities for two full-time\*\* semesters averaged \$43,085 in AY 2013–2014. This is lower than the national “sticker price” for the same year, at \$44,441. The difference is mainly because tuition and fees in Texas are \$1,091 lower than the national average and food and housing costs in Texas are \$643 lower than the national average. Approximately five percent of students in higher education in Texas in AY 2013–2014 enrolled in private four-year universities, versus 41 percent who enrolled in public four-year universities.

Students who enroll in private four-year universities may receive an aid package, which primarily consists of grants and loans. The student’s need is determined, by subtracting the expected family contribution (EFC) \*\*\* from the sticker price, in order to determine what kind of financial aid package they should receive. The sticker price is the total cost of attendance, which includes tuition and fees, books and supplies, and living expenses. To save money, students may choose to enroll in school part time, work long hours, or both — but these strategies may increase their chance of dropping out of school without a degree.

\* An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

\*\* 12 semester hours or more.

\*\*\* EFC is determined through a federal formula that takes into account family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2011–2012, 15 percent of dependent undergraduates enrolled at private four-year universities nationwide reported that they received no help from their parents in paying tuition and fees.

Sources: All Costs and Enrollments for 2013–2014: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2013 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2012–2013: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2012 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<http://www.nces.ed.gov/das>).



# The Cost of Going to College Continues to Rise Each Year

## Change in Costs for Students Living Off Campus: Dollar and Percentage Change (AY 2012–2013 to AY 2013–2014, Costs Weighted for Enrollment\*)

Texas	Public Four-Year		Public Two-Year		Private Four-Year	
	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage
Tuition and Fees (12 Hours/Semester)	\$89	1%	\$177	6%	\$1,759	6%
Books and Supplies	-\$26	-2%	-\$83	-5%	\$13	1%
Food and Housing	\$40	0%	\$142	2%	\$279	3%
Other	-\$118	-3%	\$208	5%	\$124	4%
<b>Total Change</b>	<b>-\$15</b>	<b>0%</b>	<b>\$444</b>	<b>3%</b>	<b>\$2,175</b>	<b>5%</b>

U.S.	Public Four-Year		Public Two-Year		Private Four-Year	
	Dollar	Percentage	Dollar	Percentage	Dollar	Percentage
Tuition and Fees (12 Hours/Semester)	\$216	3%	\$109	3%	\$1,338	5%
Books and Supplies	\$19	2%	\$24	2%	\$8	1%
Food and Housing	\$203	2%	\$204	3%	\$245	3%
Other	-\$62	-2%	\$28	1%	-\$18	-1%
<b>Total Change</b>	<b>\$376</b>	<b>2%</b>	<b>\$365</b>	<b>2%</b>	<b>\$1,573</b>	<b>4%</b>

Public funding cuts and inflation are the primary factors driving college cost increases. As in other labor-intensive industries, higher education is limited in its ability to capitalize productivity gains through enhanced technology: professors cannot teach or grade papers much faster than they did 30 years ago, so to reduce the cost of labor — by far colleges' biggest expense — schools must either increase the number of students per professor or hire less qualified staff, both of which lower the quality of education. When state funding lags, schools tend to pass on cost increases to students. Weighted for enrollment,\* the total cost or “sticker price” in all sectors in Texas and nationally increased between zero and five percent between Award Year (AY) 2012–2013 and AY 2013–2014. Texas had a slight decrease in costs at public four-year schools compared to a two percent increase nationwide. Texas had larger increases at public two-year schools and private four-year schools compared to the nation.

Sticker price is the starting point for determining financial aid. What students actually pay for college depends on a number of factors, including the aid they receive and how frugally they live, as well as their enrollment and work patterns. To cut costs, many students enroll part time, work long hours, or both. In AY 2011–2012, 62 percent of all undergraduates nationwide attended less than full time/full year — that is, they either took fewer than 12 hours per semester or did not attend at least two semesters — and 66 percent worked while enrolled (27 percent of which worked full time\*\*). Full-time work and part-time enrollment are associated with each other and also with lower completion rates: 79 percent of U.S. undergraduates who work full time while enrolled attend less than full time/full year.

\* An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

\*\* 35 or more hours per week; includes work-study/assistantship.

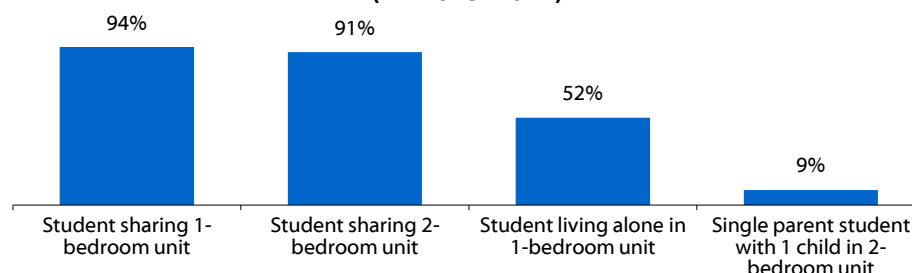
Sources: All Costs and Enrollments for 2013–2014: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2013 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2012–2013: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2012 (<http://nces.ed.gov/ipeds/>); Labor costs: “What Ails Us,” by James Surowiecki, *The New Yorker*, (July 7, 2003); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<http://www.nces.ed.gov/das>).





# Food and Housing for Some Students May Be Higher Than Estimated

**Percentage of Texas Public Universities in Which the USDA and HUD Food and Housing Cost Estimate Is within the Institution's Room and Board Cost Estimate, by Type of Student (AY 2013–2014)**



Food and housing make up about 40 percent of the cost of attending a public university in Texas. These costs are not discretionary. Students must eat, and unless they live with parents or other relatives — and 68 percent of U.S. public university undergraduates do not — they must pay rent. But students do have some discretion in their choices. The stereotype of the undergraduate who drives an SUV coexists with that of the student who shares an apartment with roommates, eats instant noodles, and frequents thrift shops. But do institutions' room and board estimates make for a pampered or thrifty lifestyle?

Using their knowledge of housing located in areas popular with students, Texas universities estimate the cost of food and housing that is modest, but adequate. For the 2013–2014 Award Year (AY), this average estimate is \$8,268,\* or \$919 per month. The U.S. Department of Agriculture (USDA) estimates the minimum dietary needs of an adult can be met on \$271 per month provided that all food is prepared at home, an unlikely scenario for young adults. Subtracting \$271 from \$919 leaves \$648 for rent and utilities. The addition of one small pepperoni pizza per week, however, would raise the monthly food budget to \$306,\*\* leaving \$613 for rent and utilities.

The U.S. Department of Housing and Urban Development (HUD) estimates the average nine-month cost of rent and utilities for a one-bedroom unit in the counties and Metropolitan Statistical Areas (MSAs)\*\*\* where Texas public universities are located to be \$5,925, or \$658 per month. Sharing housing lowers the cost: a shared one-bedroom costs \$329 per person and a shared two-bedroom costs \$415. These data indicate a thrifty student who cooks and shares housing will indeed be able to stay within the institutional room and board estimate of \$919 per month. However, a student who lives alone will probably not be able to stay within the estimate. Single parent students face additional costs. About 28 percent of U.S. undergraduates in AY 2011–2012 had dependent children, and about 15 percent were single parents.

**Average USDA and HUD Food and Housing Costs for Two Semesters (9 Months) for Counties and MSAs\*\*\* Where Texas Public Universities Are Located (AY 2013–2014)**

	Student sharing 1-bedroom unit	Student sharing 2-bedroom unit	Student living alone in 1-bedroom unit	Single parent student with 1 child in 2-bedroom unit
Food	\$2,437	\$2,437	\$2,437	\$3,654
Housing	\$2,962	\$3,739	\$5,925	\$7,478
<b>Total</b>	<b>\$5,399</b>	<b>\$6,176</b>	<b>\$8,362</b>	<b>\$11,132</b>

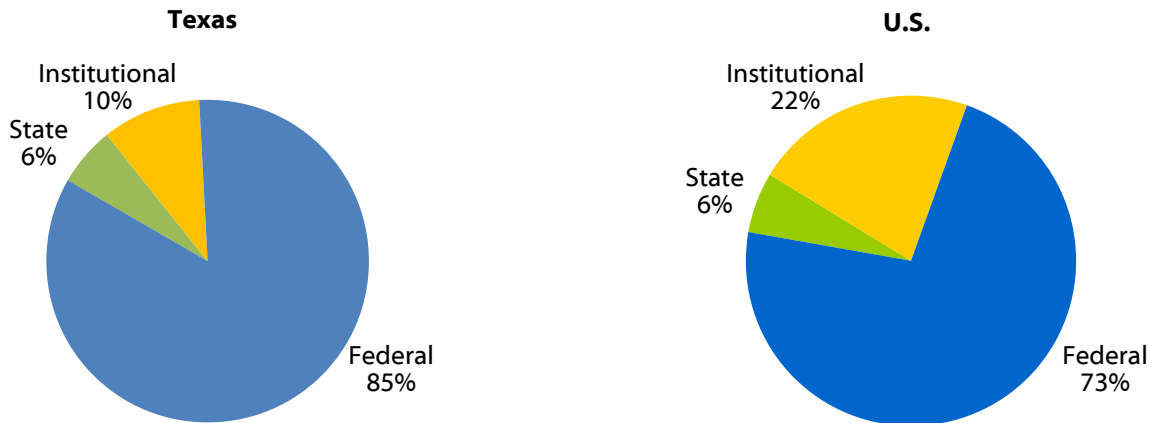
\*\$8,256 when weighted for enrollment; see glossary for clarification. \*\* Based on the cost at Conan's Pizza near the University of Texas at Austin, October 2014. \*\*\* A Metropolitan Statistical Area is a geographic area of 50,000 or more inhabitants.

Sources: All Costs and Enrollments for 2013–2014: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2013 (<http://nces.ed.gov/ipeds/>); U.S. Department of Agriculture. "Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, June 2014." (<http://www.cnpp.usda.gov/USDAFoodCost-Home.htm>); U.S. Department of Housing and Urban Development (HUD). "Fair Market Rents 2014 for Existing Housing, October 2014," (<http://www.huduser.org/datasets/fmr.html>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012 (<http://www.nces.ed.gov/das>).



# Texas Highly Dependent on Federal Government for Student Aid

**Direct Student Aid by Source  
(AY 2012–2013\*)**



College students receive financial aid mainly from three major sources: the federal government, the state government, and the colleges and universities they attend. Of these three, the federal government's contribution is primary. Nationally, the federal government provided 73 percent of the generally available direct financial aid\* for undergraduate and graduate students in Award Year (AY) 2012–2013. In Texas, the federal government's role is much larger, accounting for 85 percent of aid.

Texas' state government provided six percent of generally available aid\*\* to its students in AY 2012–2013, the same as in AY 2011–2012. Nationally, state governments also provided six percent of aid on average.

Texas colleges and universities, through institutional grants\*\*\* provided a much smaller percentage of financial aid than colleges in other states. Texas institutions provided ten percent of aid versus 22 percent for colleges nationally.

\* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations, plus institutional grants. All aid shown in graphs is for AY 2012–2013, except the private institutional aid, which is for AY 2010–2011.

\*\*The State of Texas, like other state governments, also supports public institutions through direct appropriations and tuition waivers.

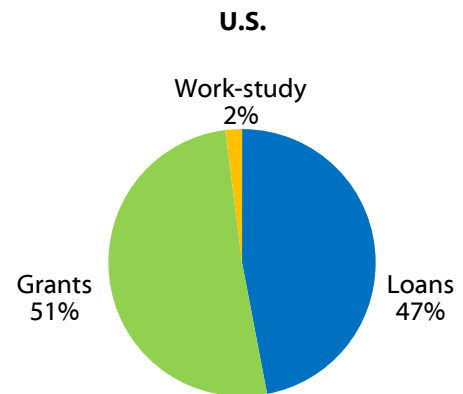
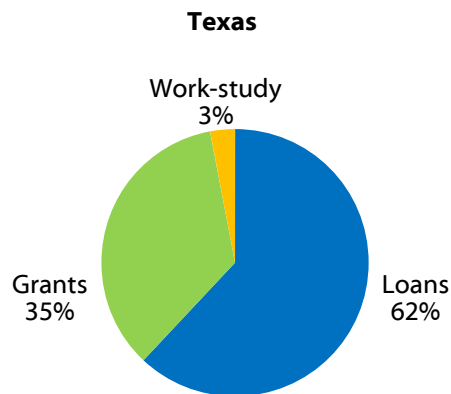
\*\*\* Includes the Texas Public Educational Grant (TPEG) for AY 2012–2013 as well as private institutional aid reported to the Independent Colleges and Universities of Texas (ICUT) for AY 2010–2011.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report 2012", (<http://www.icut.org/publications.html>); State aid and TPEG: Texas Higher Education Coordinating Board, "2012–13 Financial Aid Database," Austin, Texas, (unpublished tables); Federal aid in Texas: U.S. Department of Education, Federal Student Aid Data Center (<http://federalstudentaid.ed.gov/datacenter/>); Aid in the U.S.: The College Board. *Trends in Student Aid 2013* (<http://trends.collegeboard.org/>).

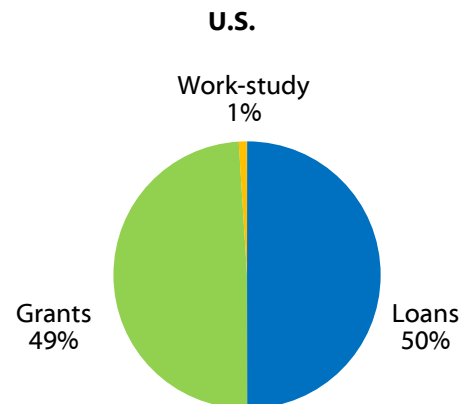
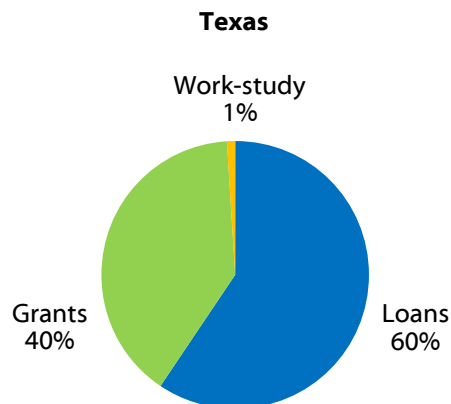


# Texas Students Highly Dependent on Loans

**Direct\* Student Aid by Type  
(AY 1991–1992)**



**Direct\* Student Aid by Type  
(AY 2012–2013)**



Reliance on loans in Texas has remained fairly high over the years, and students nationwide have become more dependent on loans to finance higher education as well. In Award Year (AY) 1991–1992, loans accounted for 47 percent of direct\* financial aid to undergraduate and graduate students in the U.S. and grants accounted for 51 percent. By AY 2012–2013 in the U.S., loans accounted for 50 percent and grants accounted for 49 percent of aid. Compared to national averages, Texas college students rely even more heavily on loans, both now and in the past. In AY 2012–2013, 60 percent of aid in Texas came from loans and 40 percent came from grants, including state and institutional grants.\* Most student loans in Texas are Federal Direct loans. The maximum subsidized\*\* Direct loan that a first-year student can receive is \$3,500.

\* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations (including both FFELP and FDLP loans), plus institutional grants. All aid shown in second set of graphs is for AY 2012–2013, except the private institutional aid is for AY 2010–2011.

\*\* Subsidized loans are for undergraduates who demonstrate financial need. The Department of Education pays the interest on subsidized loans while a student is in school and for the first six months after the student leaves school.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report 2012", (<http://www.icut.org/publications.html>); State aid and TPEG: Texas Higher Education Coordinating Board, "2012–13 Financial Aid Database," Austin, Texas, (unpublished tables); Federal aid in Texas: U.S. Department of Education, Federal Student Aid Data Center (<http://federalstudentaid.ed.gov/datacenter/>); Aid in the U.S.: The College Board. *Trends in Student Aid 2013* (<http://trends.collegeboard.org/>).

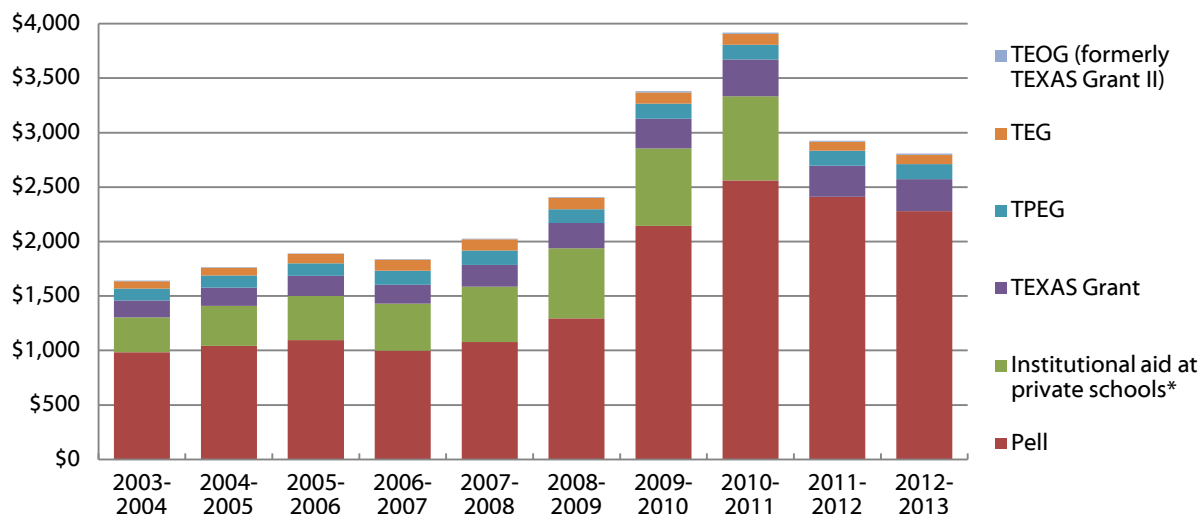


## SECTION 5

# Grant Aid and Net Price in Texas

# Pell Grant Aid Decreases

Grant Aid in Texas by Source, by Award Year



The Federal Pell Grant Program is by far the largest source of grant aid in Texas. In Award Year (AY) 2012–2013, over 652,000 students received approximately \$2,279 million in Pell grants. This was a decrease of 5 percent, or \$132 million, from the prior year.

The Texas Public Educational Grant (TPEG) is funded through schools' tuition revenue. In AY 2012–2013, \$140 million was distributed in TPEG awards to undergraduate and graduate students, an increase of \$4 million over AY 2011–2012.

State grants comprise the smallest source of grant aid in Texas. There are three main state grants, of which the largest is the Towards EXcellence, Access, and Success (TEXAS) Grant. In AY 2012–2013, \$293 million in TEXAS Grants were awarded, only a \$7 million increase from the previous year. Under the new priority funding model, all TEXAS Grant renewal students are funded first, then new students are funded with priority given to those who have high GPAs or class standings, were in a rigorous academic program in high school, or achieved college readiness scores on various assessment tests (such as the SAT or ACCUPLACER).

The Tuition Equalization Grant (TEG) is a state grant for students enrolled in private nonprofit colleges and universities in Texas. In AY 2012–2013, \$84 million in TEG was awarded to undergraduate and graduate students, the same amount as in the previous year.

The Texas Educational Opportunity Grant (TEOG), formerly TEXAS Grant II, is a state grant for undergraduates enrolled in public two-year schools. In AY 2012–2013, \$12 million was awarded through TEOG; this is \$3 million more than in AY 2011–2012.

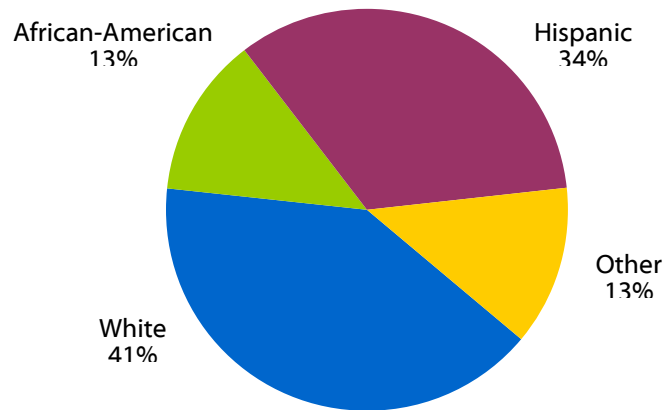
\* Data regarding institutional aid at private schools for AY 2011–2012 were not available at time of publication.

Sources: Private institutional aid: Independent Colleges and Universities of Texas (ICUT) "Annual Statistical Report 2012," 2012, (<http://www.icut.org/publications.html>); Pell data: U.S. Department of Education, Federal Student Aid Data Center (<http://studentaid.ed.gov/data-center>); All other grants: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2012–2013," Austin, Texas, 2014 (Unpublished tables); TEXAS Grant Priority Funding Model: THECB, "TEXAS Grant Priority Model" (<http://www.theccb.state.tx.us/>).

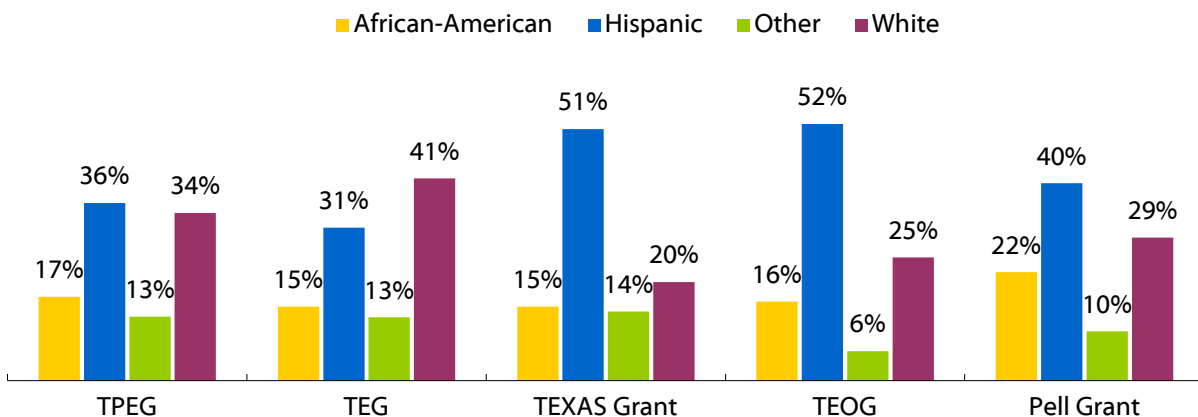


# Grant Recipients in Texas Are Racially/Ethnically Diverse

**Enrollment by Race/Ethnicity  
(Fall 2012)**



**Grant Recipients by Ethnicity (Award Year 2012-2013)**



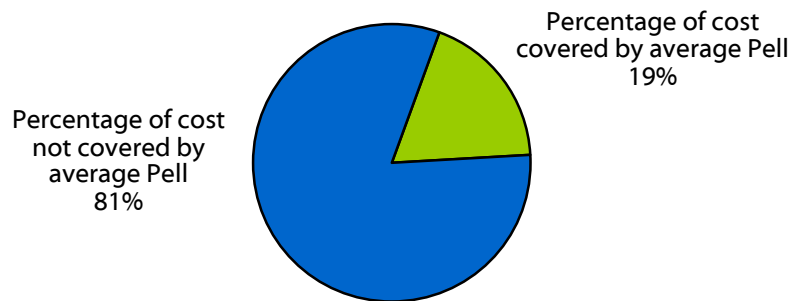
Allocation of grant aid in Texas reflects the racial/ethnic diversity of the state. About 68 percent of Texas Educational Opportunity Grant (TEOG) and 66 percent of Toward EXcellence, Access, and Success (TEXAS) Grant recipients are either Hispanic or African-American. Percentages for the Texas Public Educational Grant (TPEG) and Tuition Equalization Grant (TEG) for these populations are somewhat less — 53 percent and 46 percent, respectively.

Sources: Public enrollment by ethnicity: Texas Higher Education Coordinating Board (THECB) PREP Online (<http://reports.thecb.state.tx.us/approot/dwprodprpt/enrmenu.htm>); Private enrollment by ethnicity: Independent Colleges and Universities of Texas (ICUT), "Annual Statistical Report 2012", 2012 (<http://www.icut.org/pages/publications>); All other: THECB "Financial Aid Database for AY 2012-2013." Austin, Texas. 2014. (Unpublished tables).



# The Federal Pell Grant Covers Less Than One-Fifth of Average Public Four-year Costs

**Percentage of Average Cost of Two Semesters of Full-time Attendance at a Public Four-year University in Texas That Is Covered by the Average Pell Grant (AY 2012–2013)**



**Change in Average Pell Grant over Previous Award Year and Increase in the Average Cost of Two Semesters of Full-Time Attendance at a Public Four-Year University in Texas and the U.S.**

Award Year	Change in Average Pell Grant in Texas	Increase in Cost in Texas	Increase in Cost in U.S.
2006–2007	–\$78	\$697	\$880
2007–2008	\$109	\$500	\$901
2008–2009	\$252	\$1,540	\$1,150
2009–2010	\$687	\$371	\$891
2010–2011	\$164	\$82	\$477
2011–2012	\$108	\$760	\$865
2012–2013	\$15	\$765	\$630

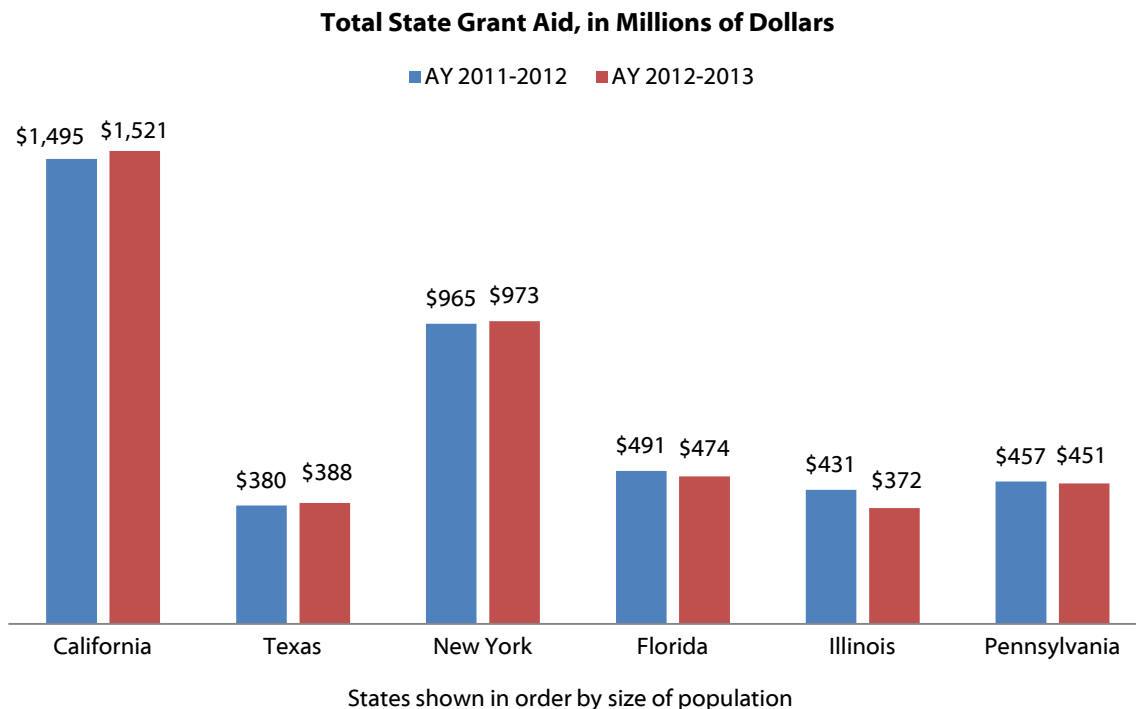
The buying power of the largest grant program in the U.S. and in Texas, the Federal Pell grant, has declined over the last three decades. Originally designed as the foundation for student aid packaging, the Pell grant is only allocated to the neediest of undergraduates. However, in Award Year (AY) 2012–2013, the average Pell grant in Texas, at \$3,875, covered only 19 percent of the average cost of attendance (defined as tuition and fees, food and housing, books and supplies, transportation, and personal expenses) for eligible undergraduates at public four-year universities in Texas. Overall, Pell grant funding has been increasing in recent years, but the number of recipients is also increasing due to, among other things, an increase in the cost of attending college. The average Pell grant per recipient has not kept pace with rising costs.

The maximum Pell grant for AY 2013–2014 is \$5,645 and will increase to \$5,730 in AY 2014–2015. The passage of the Department of Defense and Full-Year Continuing Appropriations Act of 2011 eliminated the provision that allowed an eligible student to receive up to two consecutive Pell grant awards during a single award year. Beginning with AY 2011–2012, an eligible student may receive only one Pell grant award during a single award year.

Sources: Cost of attendance: U.S. Department of Education, National Center for Education Statistics, IPEDS Peer Analysis System Dataset Cutting Tool (costs have been weighted for enrollment) (<http://nces.ed.gov/ipedsas/specifyLinchPin.asp>); Pell: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<http://studentaid.ed.gov/about/data-center/student/title-iv>); Maximum Pell: U.S. Department of Education, Dear Colleague Letter P-11-02 (<http://www.ifap.ed.gov/dpcletters/P1102.html>).



# Texas State Grant Aid Increases



In Award Year (AY) 1996–1997, Texas spent only \$48 million in state grant aid. Although Texas had the second largest college-age population, it ranked last among the six largest states, spending less than half what was spent by the next lowest state, Florida. Then, with the establishment of the Toward EXcellence Access, and Success (TEXAS) Grant\* Program in 1999, state grant aid began to increase. However, Texas still ranks second to last among the largest states. In AY 2012–2013, Texas spent \$388 million, a quarter of what was spent by California and considerably less than what was spent in New York.

Student grant aid may be based on financial need, academic merit, a combination of need and merit, or other factors. In Texas, state grant aid has a need-based component. State grant aid does not include institutional aid, such as the Texas Public Educational Grant (TPEG). Institutional grant aid comes from the school's own revenue sources, such as tuition, fees, and returns on investments. This type of aid is often viewed as a form of tuition discounting. TPEG, Student Deposit Scholarships, and other designated tuition funds reported to the National Association of State Student Grant and Aid Programs (NASSGAP) have been subtracted from NASSGAP's state grant aid data for Texas.

Fall 2008 marked the entry into college of the first cohort of students who graduated from high school since the Recommended High School Program (RHSP) became the default curriculum for graduation. The change in the default curriculum resulted in a significant increase in the number of students eligible for the TEXAS Grant.

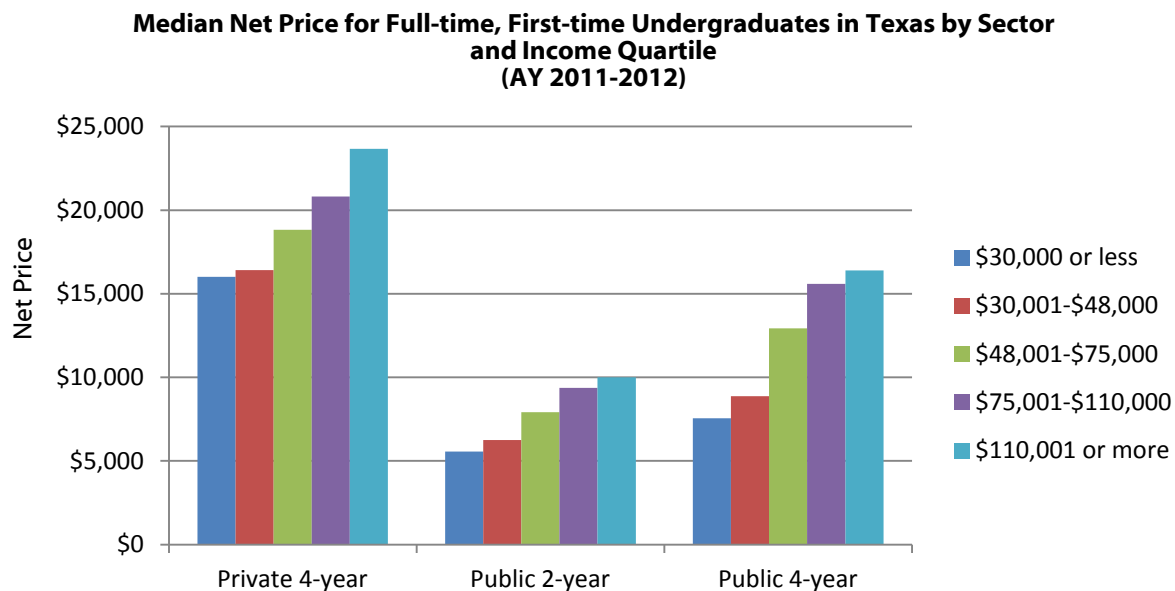
\* To receive a TEXAS Grant, a student must have 1) completed either the RHSP or Distinguished Achievement Program (DAP) in Texas and enrolled in an undergraduate program in a Texas college or university within 16 months or 2) have earned an associate degree from a public technical, state, or community college in Texas no earlier than May 1, 2001 and enrolled in any public university in Texas no more than 12 months after receiving the associate degree. To remain eligible for the grant, the student must maintain a grade point average (GPA) of at least 2.5 on a 4.0 scale, meet Satisfactory Academic Progress (SAP) requirements, and complete at least 24 credit hours per award year.

Source: TEXAS Grant shortfall: THECB, "Recommendations Relating to the Feasibility Study for Restructuring Texas Student Financial Aid Programs, November 2008" (<http://www.theccb.state.tx.us/reports/PDF/1671.PDF>); All other: National Association of State Student Grant and Aid Programs. 42nd Annual Survey Report on State-Sponsored Student Financial Aid. 2014 ([www.nassgap.org](http://www.nassgap.org)).





# Net Price of Attendance for Low-Income Public Four-year Undergraduates in Texas Is More Than \$7,000



The net price of attendance for a student at an institution of higher education is defined as the student's cost of attendance\* minus the total grants and scholarships he or she receives from either federal, state, local government, or institutional sources. In Award Year (AY) 2011–2012, the median\*\* net price of attendance for students in the lowest income quartile was \$5,565 (an increase of 29 percent from the previous year) in the public 2-year sector, \$7,560 (an increase of 25 percent from the previous year) in the public 4-year sector, and \$16,020 (an increase of 12 percent from the previous year) in the private 4-year sector. This was the amount that students and/or their families had to cover through work, loans, or savings. The amount that students had to cover rose with income across the three sectors, perhaps reflecting the fact that students from higher-income families are more likely to attend higher-cost institutions than students with lower family incomes.

\* Tuition and fees, books and supplies, food and housing, transportation, and other expenses, for a full-time student for nine months.

\*\* A median is the point at which 50 percent of students had a higher net price and 50 percent had lower. A median represents a typical student better than an average because students who had a high net price skew the average, making it a less reliable gauge than the median.

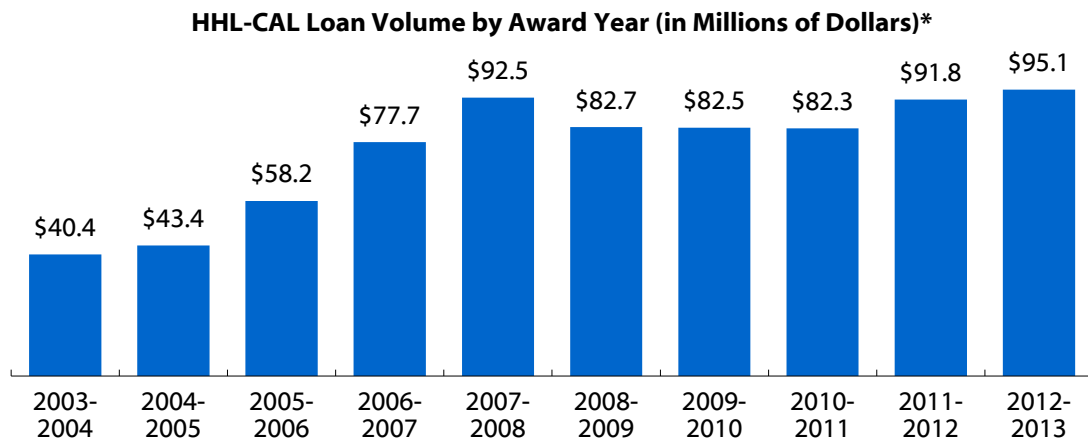
Source: U.S. Department of Education, National Center for Education Statistics, "Integrated Postsecondary Education Data System (IPEDS) 2013" (<http://nces.ed.gov/ipeds/datacenter/>).



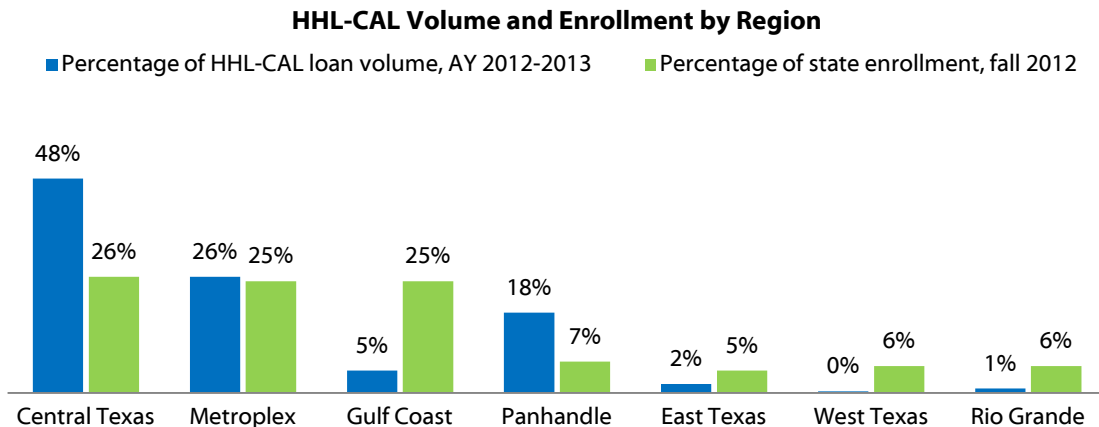
## SECTION 6

# Loans

# Volume for the Largest State Loan Program, HHL-CAL, Increases Slightly



The Hinson-Hazlewood College Access Loan (HHL-CAL) is the largest of the loan programs that the State of Texas offers for students. Recipients are not required to demonstrate financial need to receive HHL-CAL loans. A student may borrow up to the cost of attendance at his or her institution, minus any other financial aid he or she is receiving. From Award Year (AY) 2002–2003 through AY 2007–2008, HHL-CAL volume increased steadily, reaching a high of \$92.5 million in AY 2007–2008. Loan volume decreased over the next three years, but has begun increasing again. In AY 2012–2013 HHL-CAL awards totaled \$95.1 million.



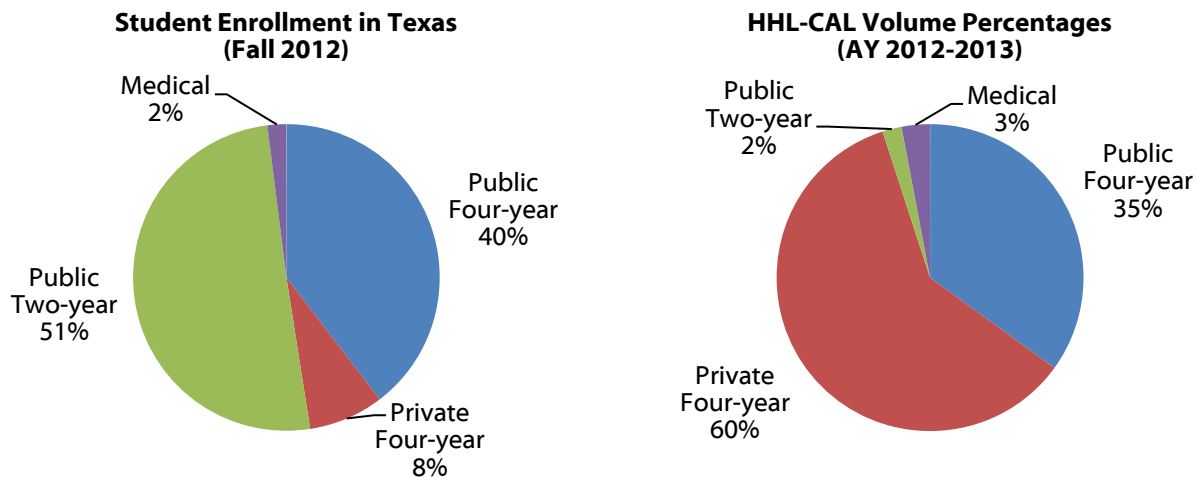
In AY 2012–2013, 48 percent of the HHL-CAL dollars went to students attending schools in the Central Texas region. Although Central Texas comprises only 26 percent of Texas enrollment, it is home to the state’s two flagship universities, the University of Texas at Austin and Texas A&M University. The Metroplex region received approximately the same percentage of HHL-CAL dollars as it represented in student enrollment. All other regions, except for the Panhandle region, received a smaller percentage than their share of the state’s enrollment.

\* Includes only the amounts reported in the Texas Higher Education Coordinating Board’s Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Source: Loan volume: Texas Higher Education Coordinating Board (THECB), “Financial Aid Database for AY 2012–2013,” Austin, Texas, 2014 (Unpublished tables); Data on loan terms and loan eligibility: THECB, “College for Texans” Website (<http://www.collegeforalltexas.com/apps/financialaid/tofa.cfm?Kind=L>); Enrollment: THECB, Texas Higher Education Data (<http://www.txhighereddata.org/>).



# HHL-CAL Loans Go Predominantly to Four-year Schools

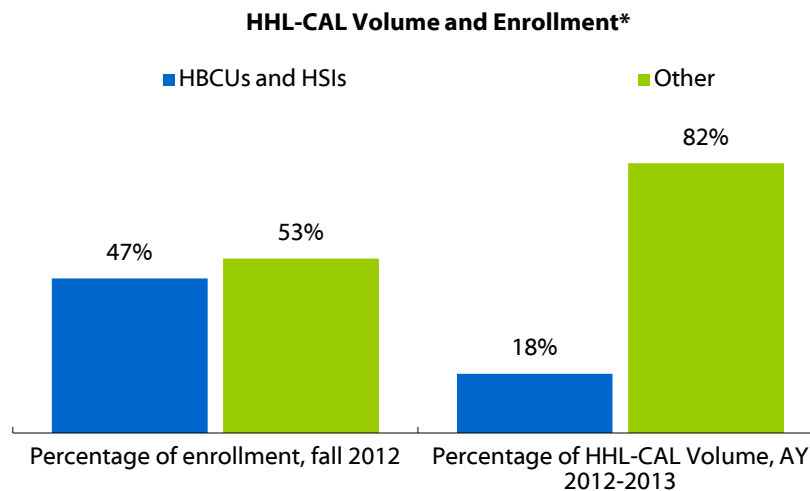


The majority of students in Texas attend public colleges and universities. However, the proportion of Hinson-Hazlewood-College Access Loan (HHL-CAL) volume by school type does not parallel student enrollment.\* In Award Year (AY) 1996–1997, 28 percent of HHL-CAL loan volume went to students in public universities and 68 percent went to students in private universities. The gap between the percentages narrowed throughout the 1990s. By AY 2002–2003, the percentage of HHL-CAL loan volume going to students in public institutions was greater than that going to students attending private institutions. About 51 percent of all HHL-CAL volume in AY 2007–2008 went to students in public four-year universities and 45 percent went to students in private four-year universities.

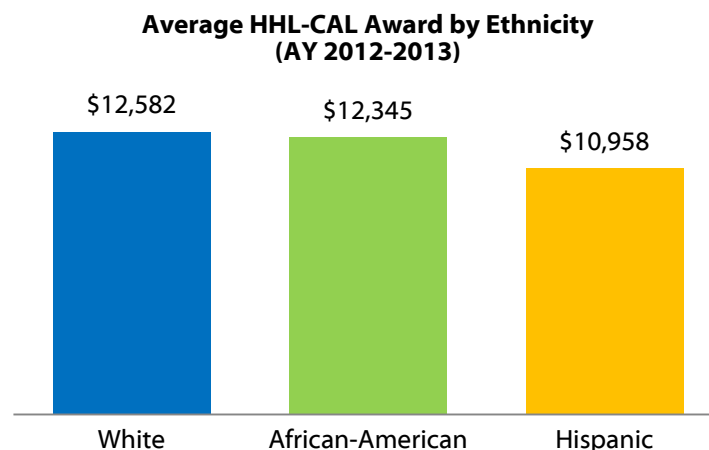
In AY 2012–2013, 35 percent of HHL-CAL dollars went to students attending public four-year institutions, and this sector accounted for 40 percent of student enrollment. Private four-year students accounted for 8 percent of enrollment in Texas postsecondary institutions, but 60 percent of HHL-CAL volume. Similarly, public two-year students accounted for 51 percent of enrollment, but only 2 percent of HHL-CAL volume. This disproportionate pattern is at least partially because the cost of attendance at public two-year schools is generally lower than at four-year schools.

\* HHL-CAL volume data for students who attended for-profit institutions are not available.

# HHL-CAL Volume Not Comparable to HBCU and HSI Enrollment



Texas has nine Historically Black Colleges and Universities (HBCUs) and 68 Hispanic-Serving Institutions (HSIs). In Award Year (AY) 2005–2006, HBCUs and HSIs comprised 33 percent of total Texas enrollment and received 14 percent of Hinson-Hazlewood College Access Loan (HHL-CAL) dollars. In AY 2012–2013, HBCUs and HSIs comprised 47 percent of total Texas enrollment — down slightly from 48 percent of Texas enrollment in AY 2011–2012 — and received 18 percent of HHL-CAL dollars. This disproportionate situation has continued, with a pronounced gap between enrollment in HBCUs and HSIs on the one hand, and HHL-CAL volume on the other.



The average HHL-CAL award differed across ethnic groups in AY 2012–2013. Hispanic students on average borrowed about \$1,600 less than White students and nearly \$1,400 less than African-American students.

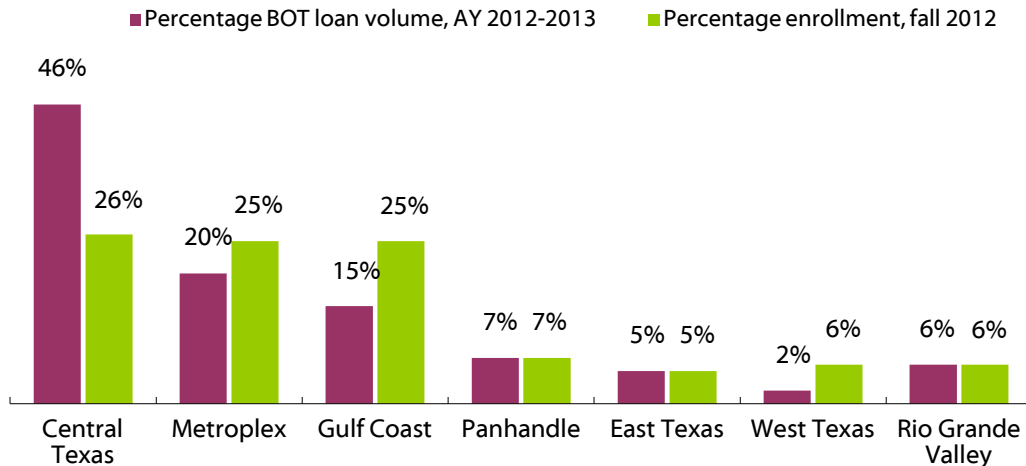
\* Includes only the amounts reported in the Texas Higher Education Coordinating Board's Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2012–2013." Austin, Texas, 2014 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>). HBCUs: U.S. Department of Education, Office for Civil Rights database. "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: U.S. Department of Education, National Center for Education Statistics, IPEDS Data Center (<http://nces.ed.gov/ipeds/datacenter/>).



# Nearly Half of B-On-Time Dollars Go to Central Texas Region

**B-On-Time Volume and Enrollment by Region\***



In 2003, the Texas Legislature created the B-On-Time (BOT) Loan Program. This is a no-interest loan that may be forgiven entirely upon graduation if the borrower 1) graduates with a grade point average (GPA) of at least 3.0 on a 4.0 scale, and 2) graduates within four years after entering a four-year institution (five years for architecture or engineering), or within two years after entering a two-year institution. Between Fiscal Year (FY) 2006 and FY 2009, \$40 million in BOT loans were forgiven.

Graduation rates in Texas remain lower than the U.S. average. National Center for Higher Education Management Systems (NCHEMS) data from 2009 indicate that 55.5 percent of U.S. students seeking bachelor's degrees completed their program within six years. In Texas, only 48.5 percent of students earn a bachelor's degree within the same period. However, the BOT Loan Program seems to be increasing graduation rates. In fiscal year (FY) 2012, 43 percent of public university students with BOT loans graduated in 4 years, compared to 25 percent for those who received aid but not BOT loans. The 6-year graduation rate for BOT students is also higher than the rate for non-BOT students. Sixty-nine percent of BOT recipients at public universities graduated within 6 years, compared to 53 percent of aid recipients without BOT.

In Award Year (AY) 2008–2009, 61 percent of the BOT loan dollars went to students attending schools in the Central Texas region, considerably more than the region represented in enrollment (27 percent). Although Central Texas schools comprised 26 percent of Texas enrollment in AY 2012–2013, BOT volume awarded to the region was still high, at 46 percent of all BOT dollars in Texas. In contrast, students in the Metroplex, Gulf Coast, and West Texas regions received less in BOT loan volume than they represented in enrollment. At only two percent, West Texas received the smallest percentage of BOT loans.

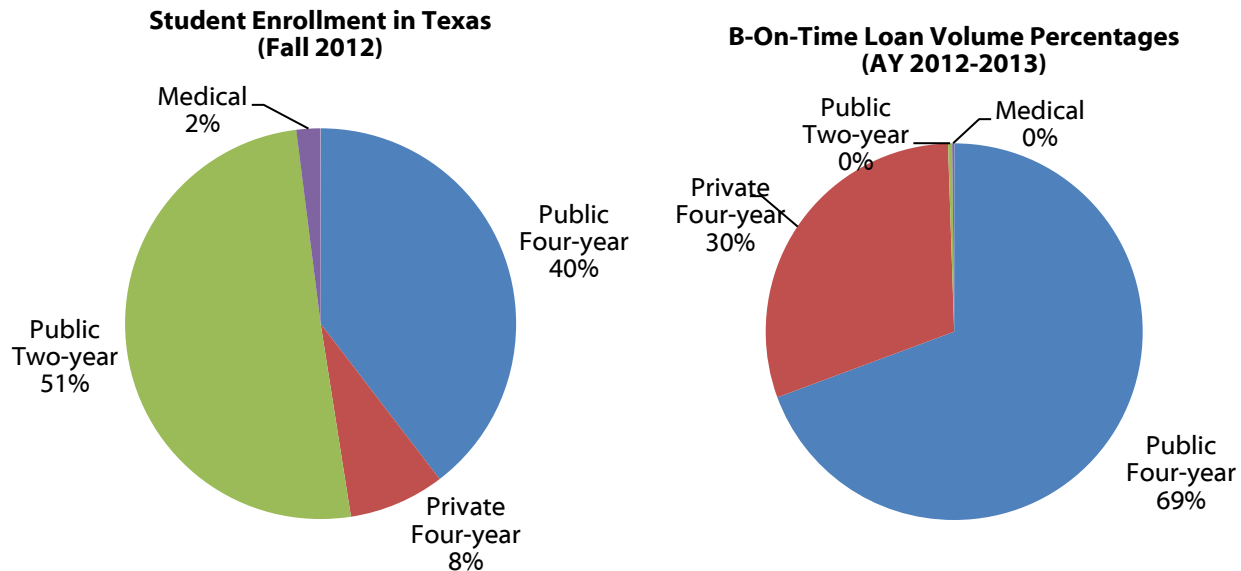
\*Includes only the amounts reported in the Texas Higher Education Coordinating Board's Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid database for AY 2012–2013," Austin, Texas, 2014 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>); Graduation Rates: National Center for Higher Education Management Systems (NCHEMS), "Progress and Completion: Graduation Rates, Six-Year Graduation Rates for Bachelor's Students, 2009," (<http://www.higheredinfo.org/dbrowser/?level=nation&mode=map&state=0&submeasure=27>); Amount Forgiven: State Auditor's Office, "An audit report on selected state-funded student financial aid programs at seven higher education institutions and the Higher Education Coordinating Board," November 2009 (<http://www.sao.state.tx.us/reports/main/10-015.pdf>); BOT Graduation Rates: Texas Higher Education Coordinating Board, "Report on student financial aid in Texas higher education for fiscal year 2012, June 2013 ([www.theccb.state.tx.us/reports/PDF/3126.PDF](http://www.theccb.state.tx.us/reports/PDF/3126.PDF)).



# Most Volume for the B-On-Time Loan Goes to Students at Public Universities

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Although more than half of Texas postsecondary students enroll in public two-year schools, only 0.35 percent of B-On-Time (BOT) loan volume went to these students in Award Year (AY) 2012-2013. One reason for this may be that students are required to enroll in school full time in order to receive the loan, and two-year students are far less likely to enroll full time compared to four-year university students.

In 2003, the Texas Legislature created the BOT loan, a no-interest loan which may be forgiven entirely upon graduation if the borrower graduates with a grade point average (GPA) of at least 3.0 on a 4.0 scale, and also graduates within four years\* after entering a four-year institution or within two years after entering a two-year institution. In AY 2003–2004, the first year in which awards were allocated, approximately \$4.1 million in BOT aid was allocated to 1,663 students. In AY 2012-2013, 8,105 students received \$52.6 million.

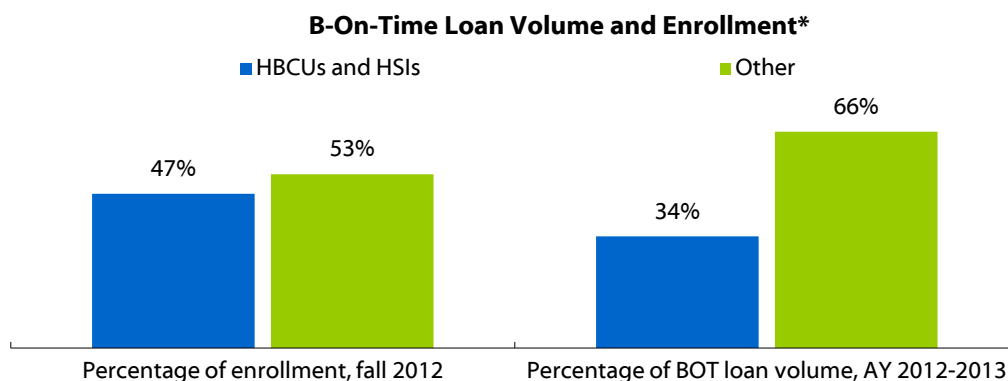
Graduation rates in Texas remain lower than the U.S. average. National Center for Higher Education Management Systems (NCHEMS) data from 2009 indicate that 55.5 percent of U.S. students seeking bachelor's degrees completed their program within six years. In Texas, only 48.5 percent of students earn a bachelor's degree within the same period. Likewise, 29.2 percent of students in the U.S. earn associate degrees within three years, compared to only 25.4 percent in Texas.

\* Five years for architecture or engineering majors.

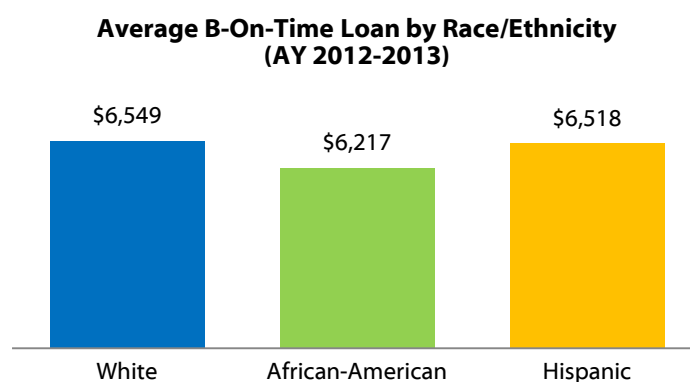
Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2012–2013." Austin, Texas, 2014; Public Enrollment: THECB. "PREP Online" ([http://www.txhighereddata.org/Interactive/PREP\\_New](http://www.txhighereddata.org/Interactive/PREP_New)); Private Enrollment: Independent Colleges and Universities of Texas (ICUT). Fall 2009 Headcount Enrollment (Unpublished tables); Graduation Rates: National Center for Higher Education Management Systems (NCHEMS), "Progress and Completion: Graduation Rates, Six-Year Graduation Rates for Bachelor's Students, 2009," (<http://www.higheredinfo.org/dbrowser/?level=nation&mode=map&state=0&submeasure=27>) NCHEMS, "Progress and Completion: Graduation Rates, Three-Year Graduation Rates for Associates Students, 2009," (<http://www.higheredinfo.org/dbrowser/?level=nation&mode=map&state=0&submeasure=24>); Loan terms and loan eligibility: THECB. "College for Texans" Website (<http://www.collegefortexans.com/paying/finaidtypes.cfm>).



# Proportion of B-On-Time Loan Volume to HBCUs and HSIs Increases Slightly



Texas has nine Historically Black Colleges and Universities (HBCUs) and 68 Hispanic-Serving Institutions (HSIs). HSIs are defined as those in which 25 percent or more of the student body is Hispanic. In Award Year (AY) 2011–2012, HBCUs and HSIs comprised 48 percent of total Texas enrollment and received 31 percent of B-On-Time (BOT) loan dollars. In AY 2012–2013, HBCUs and HSIs made up 47 percent of Texas enrollment, but the institutions received 34 percent of BOT volume.



White, African-American, and Hispanic students receive a percentage of B-on-Time (BOT) dollars that reflects the diversity of enrollment in Texas. In addition, the average loan for each group is similar. There was an increase in average loan amount during AY 2012-2013, up from \$5,884 for White students, \$5,614 for African-American students, and \$5,917 for Hispanic students during AY 2011-2012.

\* Includes only the amounts reported in the Texas Higher Education Coordinating Board's Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2012–2013." Austin, Texas, 2014 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>). HBCUs: U.S. Department of Education, *Office for Civil Rights* database. "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: U.S. Department of Education, National Center for Education Statistics, IPEDS Data Center (<http://nces.ed.gov/ipeds/datacenter/>).

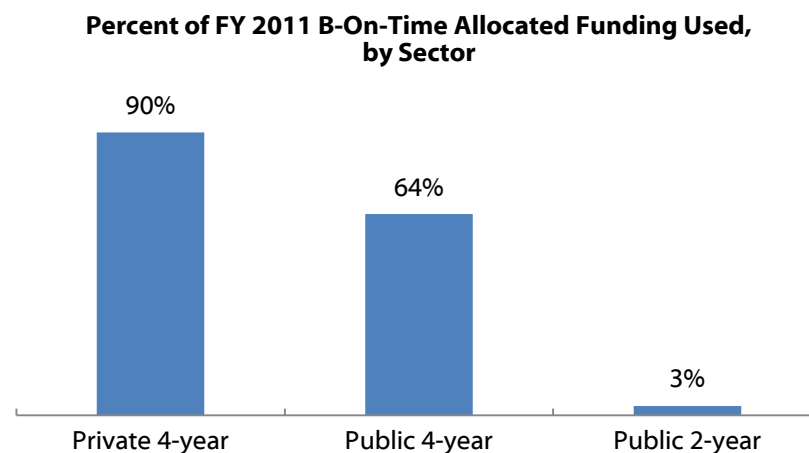




# B-On-Time Loan Program Increases Graduation Rates, But Is Underutilized

The Texas B-On-Time (BOT) Loan Program is a unique state aid program intended to increase access to higher education in Texas and encourage on-time graduation. This state student loan may be completely forgiven if the otherwise eligible borrower completes his or her degree on time. In 2003, State Senator Judith Zaffirini (D-Laredo) introduced legislation that created this program to increase the return on college investment by motivating students to graduate on time and, therefore, spend less money on their education. It seems to be working.

The Texas Higher Education Coordinating Board (THECB) reports that in fiscal year (FY) 2012, 43 percent of public university students with BOT loans graduated in 4 years, compared to 25 percent for those who received aid but not BOT loans. The 6-year graduation rate for BOT students is also higher than the rate for non-BOT students. Sixty-nine percent of BOT recipients at public universities graduated within 6 years, compared to 53 percent of aid recipients without BOT.



Despite its success, the BOT Loan Program has not been fully utilized. Thirty-six percent of funds were not allocated in FY 2011, and only five out of 136 institutions disbursed their entire allocation. Four-year private institutions used 90 percent of their funds — the most of any sector. Four-year public institutions used the second highest percentage of funds, with 64 percent, while community colleges used only 3 percent of their allocation.

Many students at community colleges go to school part time and do not qualify for the BOT Loan Program, which may explain its very low rate of usage in that sector. On the other hand, a high percentage of students at private four-year institutions attend school full time and meet the requirements to qualify for the BOT Loan Program. The higher tuition and fees at most private institutions may encourage more students to apply for the BOT Loan Program as part of a comprehensive financial aid package.

Another reason for this underutilization may be that institutions can only tell students about the features and requirements of this loan program if they include it on a “preferred lender list,” which is a requirement for telling students about any private loan. At this point, this state loan program is considered a private loan program per federal regulatory requirements. If they choose to, institutions can research private student loan providers and put together a list that describes the best ones. If the institution does not want to put the time into this task, then they cannot provide information about private loan programs up front.

Sources: Graduation Rates: Texas Higher Education Coordinating Board (THECB), *Report on student financial aid in Texas higher education for fiscal year 2012*, June 2013 ([www.theccb.state.tx.us/reports/PDF/3126.PDF](http://www.theccb.state.tx.us/reports/PDF/3126.PDF)); Utilization: Sunset Advisory Commission, *Staff report with hearing material: Texas Higher Education Coordinating Board*, April 2012 (<http://www.sunset.texas.gov>).



# Top Texas School Federal Loan Volume Increases

Gross Federal Direct Loan Program (FDLP) volume for the top 25 Texas schools by federal loan volume totaled over \$2.8 billion in Award Year (AY) 2013–2014, accounting for over 55 percent of the total federal loan volume of all Texas schools in AY 2013–2014.

**Top Texas Schools by Federal Loan Volume, AY 2013–2014 FDLP**

<b>School</b>	<b>Number of Loans (In thousands)</b>	<b>Disbursed Amount (In millions of \$)</b>	<b>% of Texas School Volume</b>
1. University of Texas at Austin	48.6	271.1	5.3
2. Texas A&M University	37.3	230.5	4.5
3. University of North Texas	39.2	186.9	3.6
4. Texas State University – San Marcos	38.3	184.4	3.6
5. University of Houston	30.1	164.5	3.2
6. University of Texas at Arlington	38.6	162.7	3.2
7. Texas Tech University	31.0	157.8	3.1
8. University of Texas at San Antonio	31.2	131.7	2.6
9. Houston Community College	30.2	111.3	2.2
10. Lone Star College – North Harris	29.4	100.6	2.0
11. Baylor University	14.9	96.0	1.9
12. Sam Houston State University	22.4	95.4	1.9
13. University of Texas at El Paso	20.9	91.1	1.8
14. Texas Southern University	14.8	88.8	1.7
15. Southern Methodist University	7.3	83.2	1.6
16. Lamar University	15.6	82.6	1.6
17. Texas Woman's University	18.1	81.7	1.6
18. Stephen F. Austin State University	19.0	80.5	1.6
19. University of the Incarnate Word	12.0	77.9	1.5
20. Tarleton State University	15.6	74.4	1.4
21. Texas A&M University – Commerce	12.9	68.6	1.3
22. University of Texas at Dallas	12.0	67.4	1.3
23. Prairie View A&M University	14.3	64.2	1.2
24. Texas A&M University - Kingsville	13.2	62.5	1.2
25. Texas Tech University Health Science Ctr	5.1	61.2	1.2
<b>Total</b>	<b>571.9</b>	<b>2,877.1</b>	<b>55.8</b>

Source: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<http://federalstudentaid.ed.gov/datacenter/programmatic.html>).



# Federal Loan Volume Concentrated in Rural Areas, More Widely Distributed in Urban Areas

## Top Schools by Region (AY 2013–2014)

### Panhandle\*

1. Texas Tech University	\$158 Million
2. Texas Tech University Health Sciences Ctr	\$61
3. West Texas A&M University	\$42
4. Wayland Baptist University	\$30
5. Midwestern State University	\$28

\* Top 5 Schools Account for 71% of Volume

### Metroplex\*

1. University of North Texas	\$187 Million
2. University of Texas at Arlington	\$163
3. Southern Methodist University	\$83
4. Texas Woman's University	\$82
5. Tarleton State University	\$74

\* Top 5 Schools Account for 47% of Volume

### West\*

1. University of Texas El Paso	\$91 Million
2. Vista College	\$32
3. Angelo State University	\$30
4. Southwest University at El Paso	\$13
5. U of Texas of the Permian Basin	\$11

\* Top 5 Schools Account for 79% of Volume

### East\*

1. Stephen F. Austin State Univ.	\$80 Million
2. University of Texas at Tyler	\$36
3. Tyler Junior College	\$26
4. LeTourneau University	\$22
5. Kilgore College	\$12

\* Top 5 Schools Account for 73% of Volume

### Central\*

1. University of Texas at Austin	\$271 Million
2. Texas A&M University	\$230
3. Texas State Univ–San Marcos	\$184
4. University of Texas at San Antonio	\$132
5. Baylor University	\$96

\* Top 5 Schools Account for 61% of Volume

### Gulf Coast\*

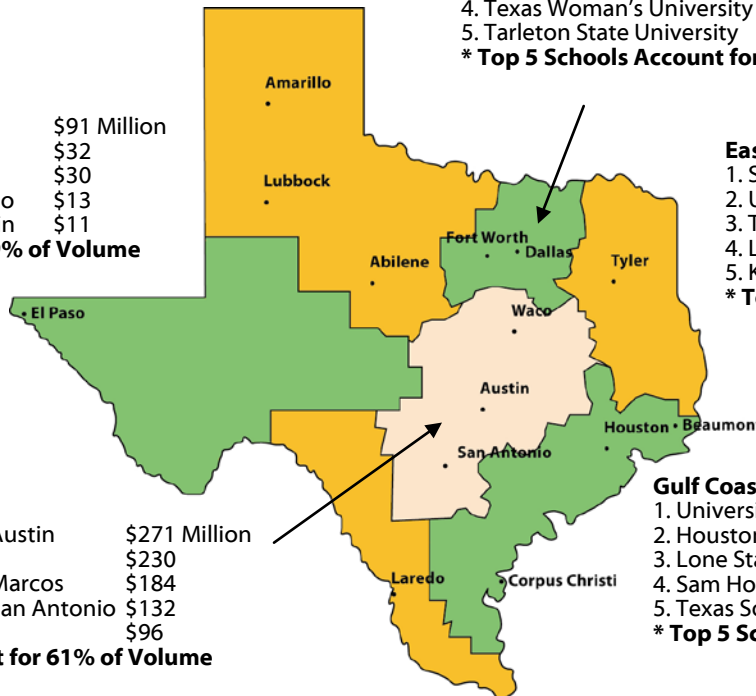
1. University of Houston	\$164 Million
2. Houston Community College	\$111
3. Lone Star College–North Harris	\$101
4. Sam Houston State University	\$95
5. Texas Southern University	\$89

\* Top 5 Schools Account for 42% of Volume

### Rio Grande\*

1. University of Texas–Pan American	\$54 Million
2. University of Texas at Brownsville	\$38
3. Texas A&M International University	\$18
4. South Texas Vocational Technical Institute, McAllen	\$5
5. South Texas Vocational Technical Institute, Weslaco	\$4

\* Top 5 Schools Account for 91% of Volume



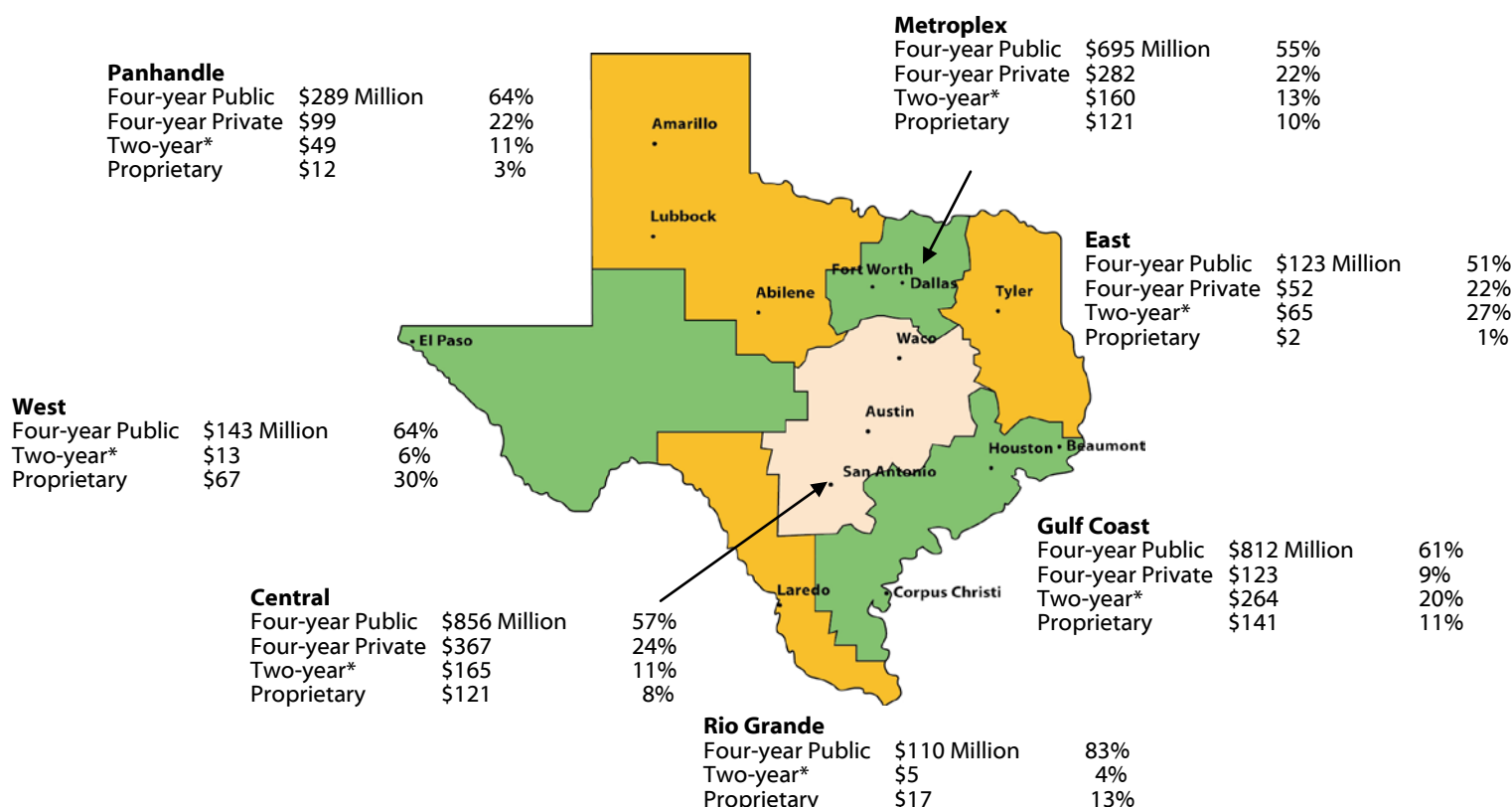
In the rural areas of the state, Award Year (AY) 2013–2014 Federal Direct Loan Program (FDLP) volume remains concentrated among a few schools. In regions that contain the state's largest cities, loan volume is more widely distributed. For example, in the Rio Grande region, five schools account for 91 percent of regional loan volume, while in the Gulf Coast region the five schools with the largest loan volume account for less than half of regional volume. This is most likely due to the greater number of school choices that exist in the more urbanized regions of the state.

Source: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<http://federalstudentaid.ed.gov/datacenter/programmatic.html>).



# Four-Year Public Schools Account for More Than Half of Federal Loan Volume

**Federal Loan Volume by Region and School Type  
(AY 2013–2014)**



Four-year public school volume makes up the largest share of the volume in all regions. Proprietary school volume exceeds two-year\* school volume in two regions. In Award Year (AY) 2013–2014, public four-year schools accounted for 59 percent of the state's Federal Direct Loan Program (FDLP) volume. Four-year private school volume accounted for 18 percent, two-year\* school volume accounted for 14 percent, and proprietary school volume accounted for 9 percent of total FDLP volume in Texas.

**Texas Federal Loan Volume by School Type  
AY 2013–2014**

School Type	Amount (in Millions)	% of Amount
Public Four-year	\$3,029	59%
Private Four-year	\$924	18%
Two-year*	\$721	14%
Proprietary	\$480	9%

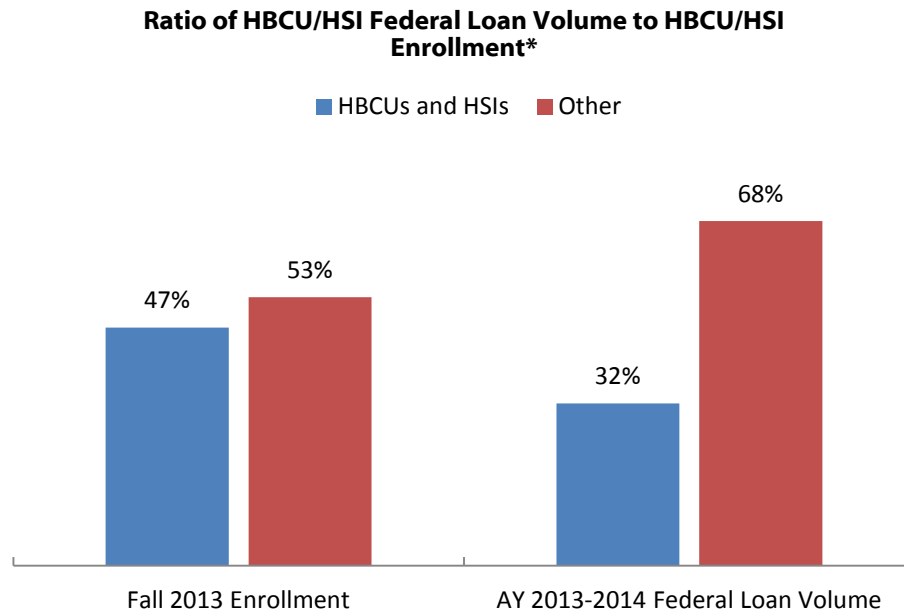
\*The two-year category includes both public and private, not-for-profit, and excludes proprietary.

Source: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports  
(<http://federalstudentaid.ed.gov/datacenter/programmatic.html>).



# HBCU and HSI Federal Loan Volume Is Proportionally Less Than Enrollment

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Texas has nine Historically Black Colleges and Universities (HBCUs) and 68 Hispanic Serving Institutions (HSIs). HBCUs and HSIs accounted for 47 percent of total Texas enrollment in fall 2013 while generating 32 percent of Award Year 2013–2014 Federal Direct Loan Program (FDLP) volume.

\*Does not include proprietary schools for volume or enrollment.

Sources: Enrollment: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2014 (<http://nces.ed.gov/ipeds/>); Loan Volume: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<http://federalstudentaid.ed.gov/datacenter/programmatic.html>); HBCUs: U.S. Department of Education, Office for Civil Rights database, "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: U.S. Department of Education, National Center for Education Statistics, IPEDS Data Center (<http://nces.ed.gov/ipeds/datacenter/>).



## SECTION 7

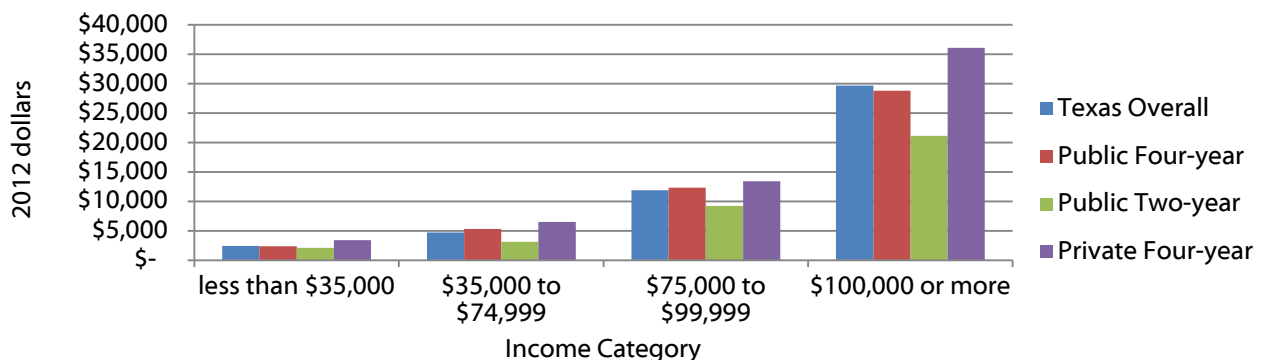
# Need and Work

# Unmet Need for Low-Income Students in Texas More Than \$8,000 at Public Universities

**Average Unmet Need for Students in Texas by Income Category and Sector (Fall 2012)**



**Average EFC for Students in Texas by Income Category and Sector (Fall 2012)**



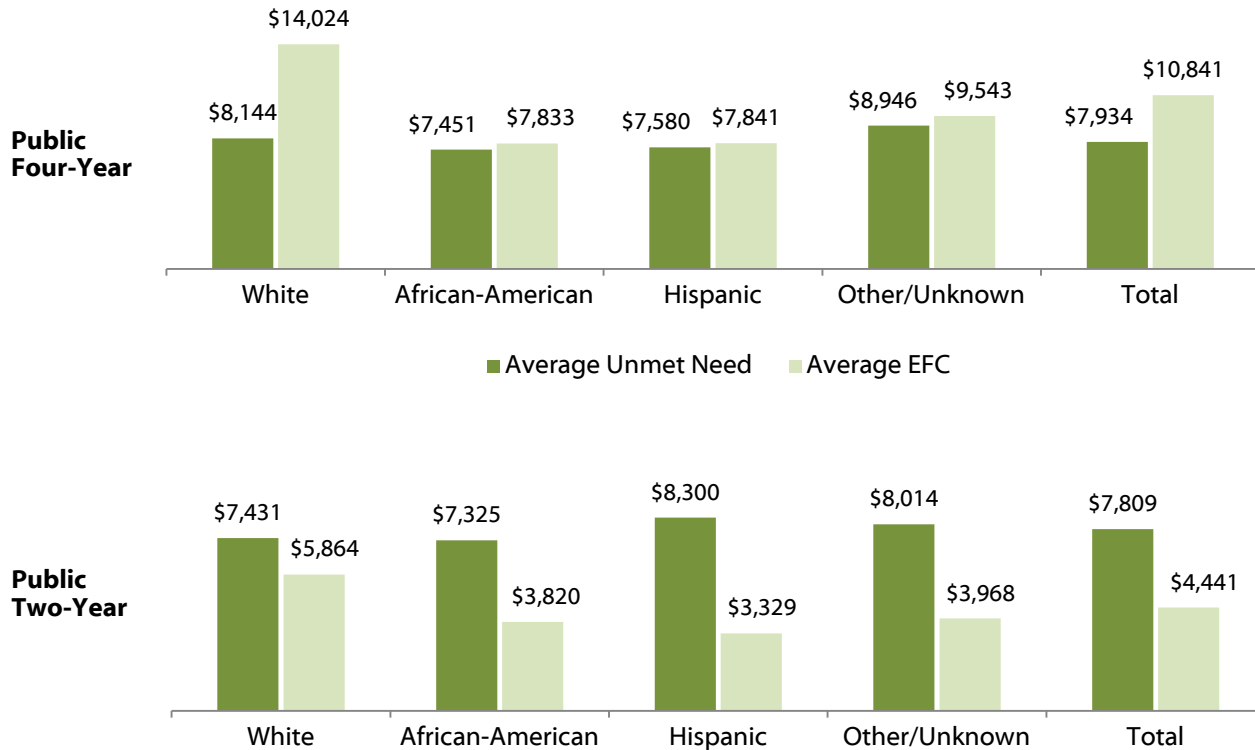
Unmet need is defined as a student's cost of attendance\* minus his or her expected family contribution (EFC)\*\* and all financial aid including grants, scholarships, work-study, and loans. This is the amount that students and/or their families must cover over and above their EFC, which is also an out-of-pocket expense. Unmet need was highest for students in the lowest income category, especially those attending a private four-year school. Besides having greater financial resources to contribute to EFC, those in the highest income category are significantly more likely to attend more expensive four-year institutions. Data on students who attended proprietary institutions are not available.

\* Estimated sum of tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for nine months.

\*\* EFC is determined through a federal formula that takes into account family size, income, and the number of children in college, among other factors. It is considered a rough estimate of a reasonable, affordable annual payment for a family with a given set of circumstances.

# Hispanic Students Have Higher Unmet Need at Two-year Institutions Than at Four-year Institutions

**Average Unmet Need and Average EFC\* by Race/Ethnicity for Texas Public Institutions (Fall 2012)**

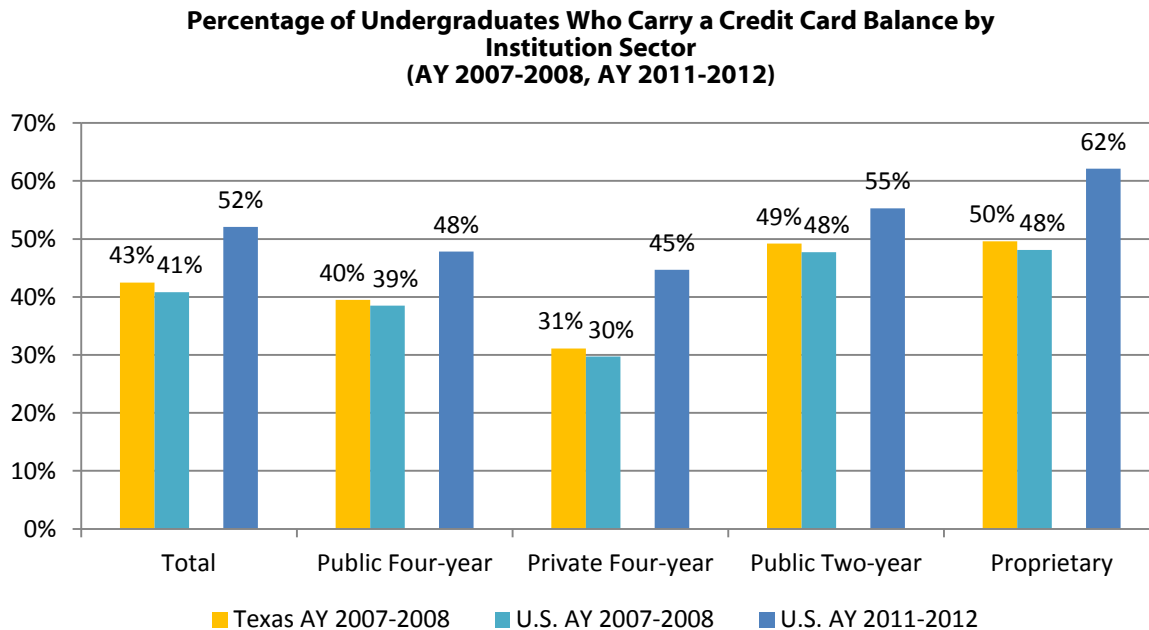


The average unmet need for Hispanic students was somewhat higher at public two-year colleges than at public four-year universities. This was true despite the substantially lower cost of attendance at two-year schools. For all racial/ethnic groups, average expected family contribution (EFC) was much higher at four-year universities due to a higher cost of attendance and a larger concentration of students from higher income families. Although the income distributions for African-American and Hispanic students are similar across school sectors, White and Other/Unknown students at four-year universities tend to have far higher incomes compared to their peers at two-year colleges. At both school types, the higher-income students are more likely to be White or in the Other/Unknown category, which explains the higher EFC amounts for those racial/ethnic groups.

\* "Unmet need" is the gap that remains between a student's resources and his/her total cost of attendance even after accounting for both grant and loan aid and the expected family contribution (EFC), which is the formulaically determined amount that the student can reasonably be expected to pay out of pocket.



# Percentage of Students with Outstanding Credit Card Balance Has Increased Nationally



Both nationally and in Texas, students at public two-year and at proprietary institutions were most likely to carry a balance on their credit cards, followed by students at public four-year and private four-year institutions. Undergraduates in all sectors nationally were considerably more likely to carry credit card debt in AY 2011-2012 than in AY 2007-2008. This increase is likely due to several causes: more expensive tuition costs, reductions in funding for state and institutional aid programs, and economic factors like high unemployment and stagnant real wages. As of academic year (AY) 2011-2012, 52 percent of undergraduates nationally carried balances on their credit cards. Texas mirrored the nation in rates in AY 2007-2008.

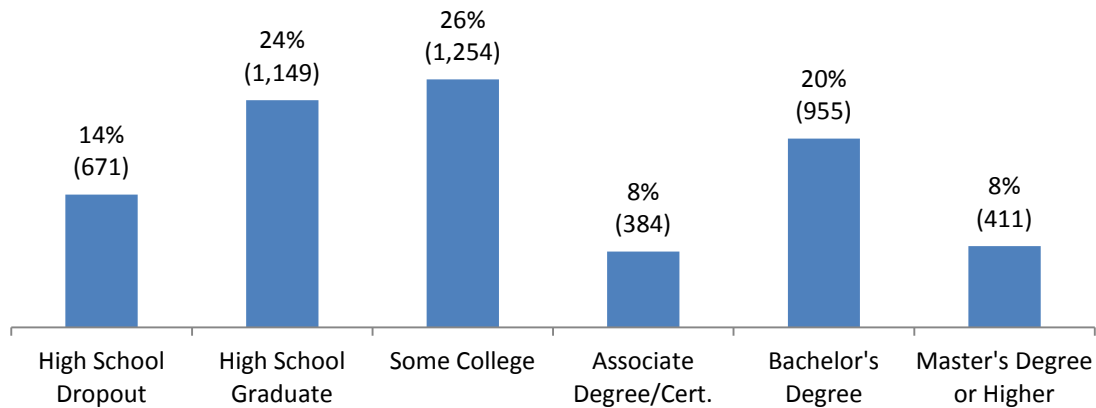
\*Data for Texas for AY 2011-2012 is unavailable.

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2008" and "National Postsecondary Student Aid Study (NPSAS) 2012" (<http://www.nces.ed.gov/das/>).

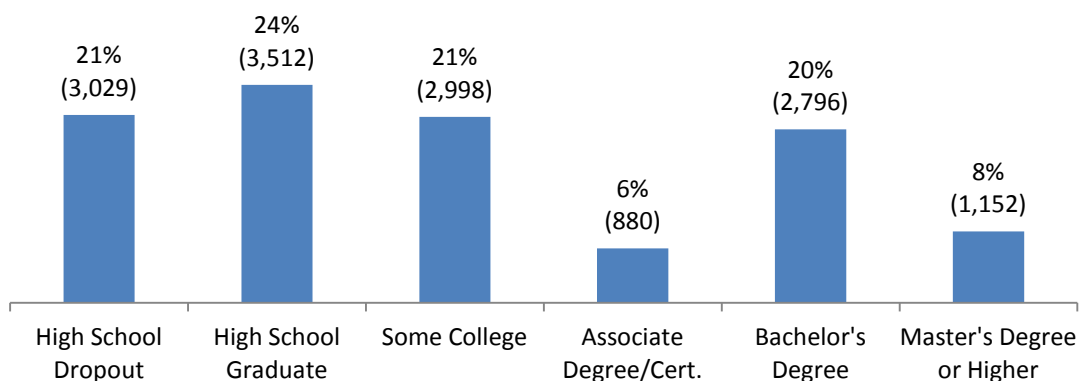


# More Than Half of Jobs in Texas Will Require Postsecondary Education by 2020

**Projected Percentage (and Number in Thousands) of Job Openings in Texas by Typical Entry Education Level, 2010-2020**



**Projected Percentage (and Number in Thousands) of Total Jobs in Texas by Typical Entry Education Level in 2020**



By 2020, approximately 54 percent of jobs in Texas will require some kind of training or education beyond high school, compared to 65 percent nationally. Approximately 62 percent of all job openings in Texas between 2010 and 2020 will require some postsecondary education, and around 36 percent of those positions will require the attainment of a degree or certificate.

For employees without any postsecondary education, most job openings by 2020 will come from the food service, personal service, and blue collar occupations, such as construction, production, and transportation. Openings that generally require postsecondary education will be concentrated in sales and office support, healthcare, education, and managerial roles, which, along with food/personal services, will also be the fastest growth occupations.

Source: Georgetown University Center on Education and the Workforce, *Recovery: Job Growth and Education Requirements Through 2020*, June 2013 (<http://cew.georgetown.edu/recovery2020/states/>).



# At Minimum Wage, the Average Student Must Work 63 Hours per Week to Pay for a Bachelor's Degree Nationally



In earlier generations, many students financed a college education by taking a full course load while working enough hours to cover living and direct educational expenses. From 1966 to 1981, a time in which the minimum wage increased fairly regularly, an industrious undergraduate could have paid for a year of education at a public university — including tuition, food, and housing — by working about 24 hours per week at a minimum wage job.

In the early 1980s, as the cost of education began to climb nationwide and minimum wage increases became less frequent, the number of work hours needed to pay for an education began to rise. By 1989, students earning the then-minimum wage of \$3.35 per hour had to work 39 hours per week to cover the average undergraduate budget. The number of work hours needed to pay for an undergraduate education continued to inch upward in the 1990s, then rose again sharply at the turn of the century. At the peak in 2006, as a result of both increased costs and stagnant wages, a student working at the then-minimum wage of \$5.15 per hour would have had to work 65\* hours every week of the year in order to pay the tuition, fees, and living expenses associated with two semesters of attendance at a public university. An increase in the minimum wage to \$7.25 reduced that figure to 63\* hours per week in 2012.

Cost of attendance tends to be lower in Texas compared to the nation, which means slightly fewer hours of work per week would be needed to pay for college. In 2013-2014, an in-state, residential student at a Texas public university would have had to work 59\*\* hours every week of the year to pay for two semesters of a bachelor's education.

\*Using Postsecondary Education Opportunity methodology, the Award Year (AY) 2012–2013 average student budget at a public university is estimated at \$22,292. In 2012, the minimum wage was \$7.25 per hour, with 6.2 percent taken out for Social Security. At a net of \$6.80 per hour, a full-time student with no other financial aid or assets would have to work 3,278 hours per year, or 63 hours per week, to put him or herself through school.

\*\*The average student budget, weighted for enrollment, for an in-state, residential student at a Texas public four-year university in AY 2013–2014 was \$20,897. At a net of \$6.80 per hour, a full-time student with no other financial aid or assets would have to work 3,073 hours per year, or 59 hours per week, to put him or herself through school.

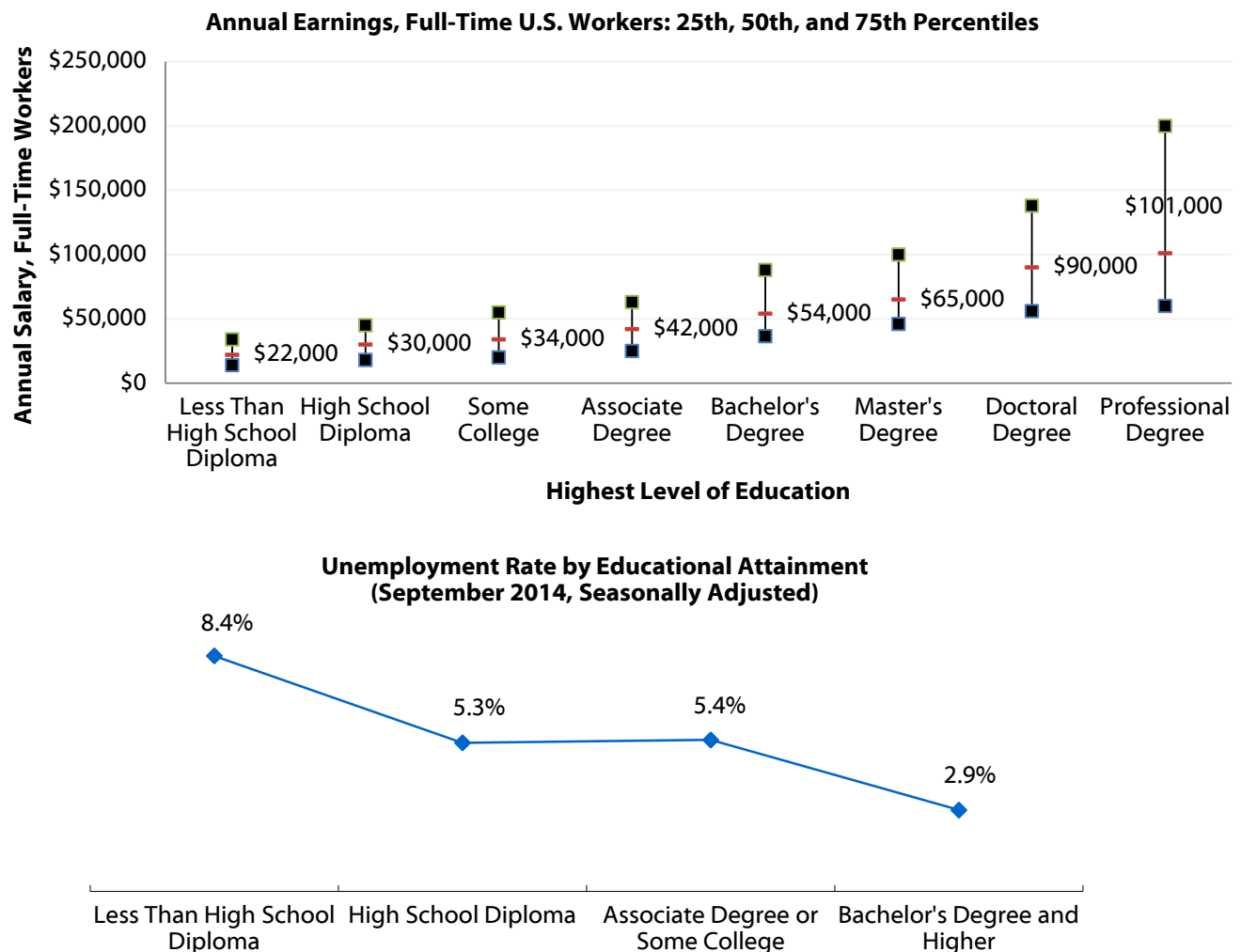
Sources: Minimum wage: U.S. Department of Labor, Employment Standards Administration, "History of Federal Minimum Wage Rates" (<http://www.dol.gov/esa/minwage/chart.htm>); U.S. Data: Postsecondary Education Opportunity, "I worked my way through college. You should too," 2008 update to Research Newsletter, Issue Number 125 (November 2002) ([www.postsecondary.org](http://www.postsecondary.org)); Texas Data: U.S. Department of Education, National Center for Education Statistics, IPEDS Data (<http://www.nces.ed.gov/ipeds/>).



## SECTION 8

# Texas College Attainment

# College Graduates Earn Far More Than High School Graduates and Experience Less Unemployment



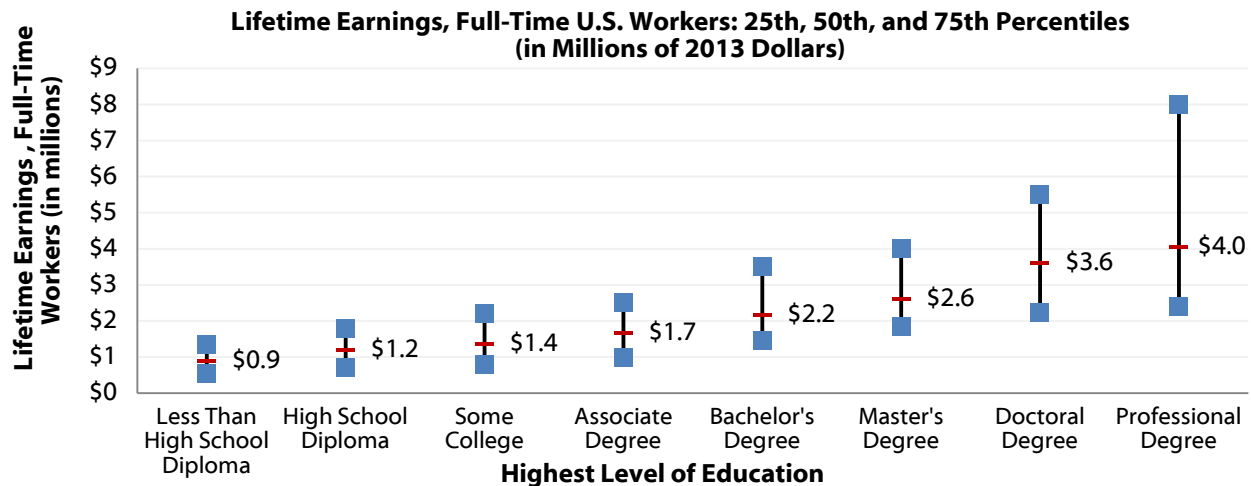
The U.S. Census Bureau reports that higher levels of education are *typically* associated with higher median earnings. However, annual incomes in the U.S. also vary widely *within* the same level of education. Consequently, some workers with associate degrees earn more than those with bachelor's degrees, while other bachelor's-level graduates make more than some master's degree holders. Clearly, educational level is not the sole predictor of one's income. However, the income range also expands as level of education increases, suggesting that workers with higher levels of education may encounter more opportunities for financial growth.

More evidence for the economic strength of education comes from the U.S. Bureau of Labor Statistics. For September 2014, the unemployment rate of workers age 25 and older who had not completed high school stood at 8.4 percent. Unemployment decreases with additional education. The unemployment rate for high school graduates was 5.3 percent, while the unemployment rate for those with a bachelor's degree and higher was 2.9 percent.

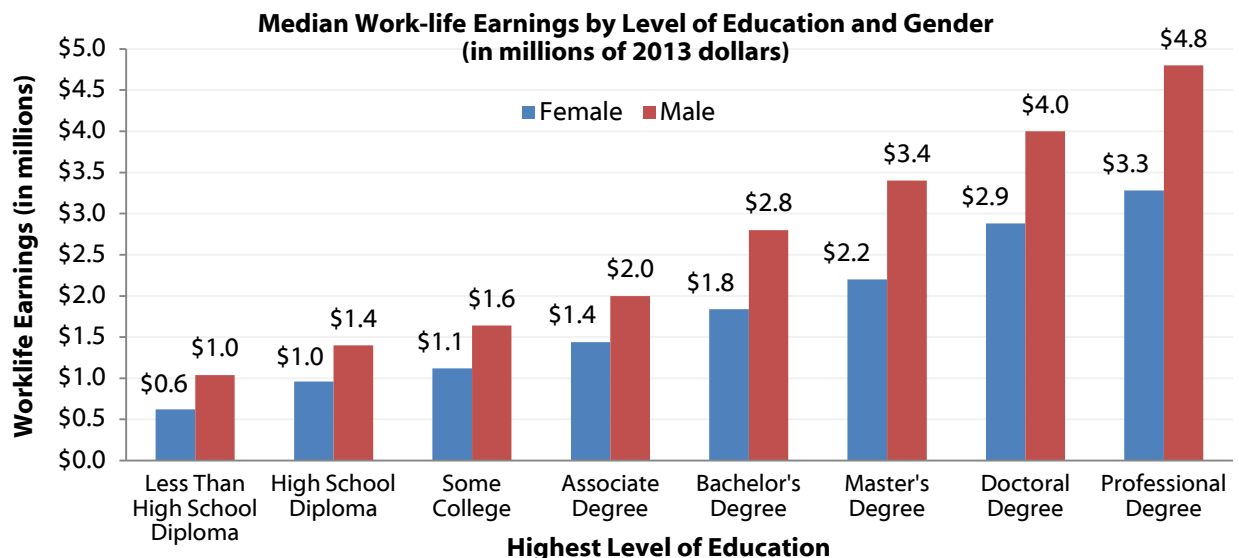
Sources: Unemployment: Bureau of Labor Statistics. "Employment Status of the Civilian Population 25 Years and Over by Educational Attainment," November 2014 (<http://www.bls.gov/news.release/empsit.t04.htm>); Earnings: U.S. Census Bureau, American Community Survey 2013 ([http://www.census.gov/acs/www/data\\_documentation/2013\\_release](http://www.census.gov/acs/www/data_documentation/2013_release))



# Better Educated Workers Have Higher Lifetime Earnings



The difference in the salary earned by higher- and lower-educated workers compounds over a lifetime. The estimated earnings during the work-life (approximately 40 years) of a worker who did not complete high school are less than \$1 million. Completing high school increases median lifetime earnings by about \$320,000, and completing a bachelor's degree raises median lifetime earnings to \$2.2 million. Post-graduate education pays off even more; workers with a professional degree, such as doctors and lawyers, can expect over the course of their work-lives to earn an additional \$1.88 million over what workers with a bachelor's degree will earn. Higher levels of education typically offer increased lifetime earnings, but they also allow for more earning *variability*, as shown by the wider income ranges for the higher levels of education.

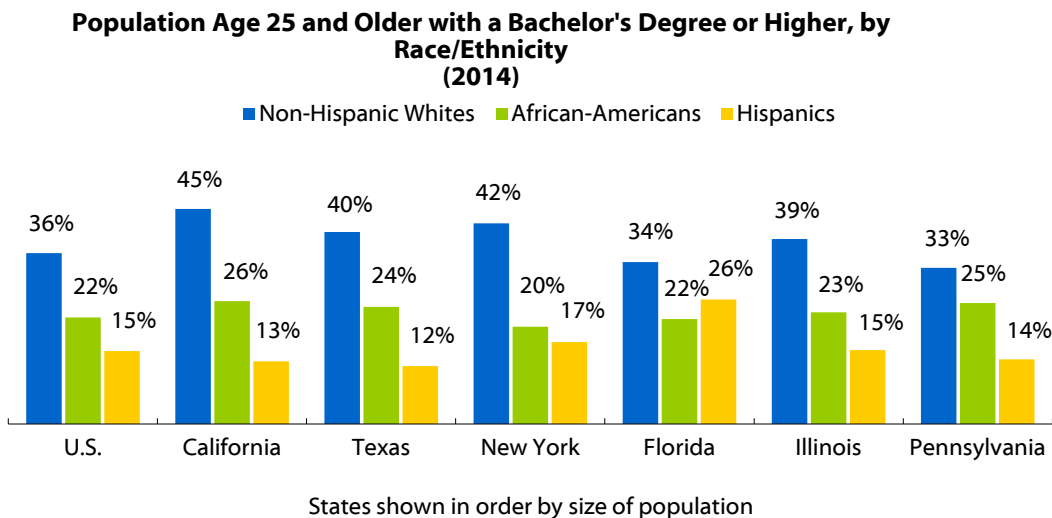
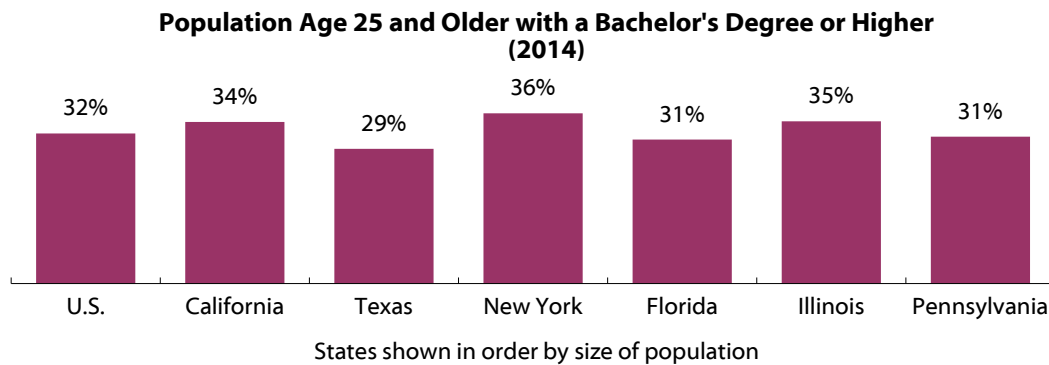


Lifetime earnings differences based on education are even more pronounced for women, who must earn at least a bachelor's degree to make as much as men with some college or an associate degree.

Earnings: U.S. Census Bureau, American Community Survey 2013 ([http://www.census.gov/acs/www/data\\_documentation/2013\\_release](http://www.census.gov/acs/www/data_documentation/2013_release))



# College Completion Rates in Texas Are Lower Than in the U.S.



Texas ranks lower than the nation in the percentage of people who have completed a bachelor's degree or higher. U.S. Census Bureau data show that in 2014, about 29 percent of Texans age 25 and older had obtained a bachelor's degree or higher (up slightly from 28 percent in 2012), compared to 32 percent in the U.S. (which increased one percentage point from 2012). Among the six most populous states, Texas has the lowest percentage of the overall population age 25 and older with a bachelor's degree or higher.

By race/ethnicity, U.S. Census Bureau data also show that:

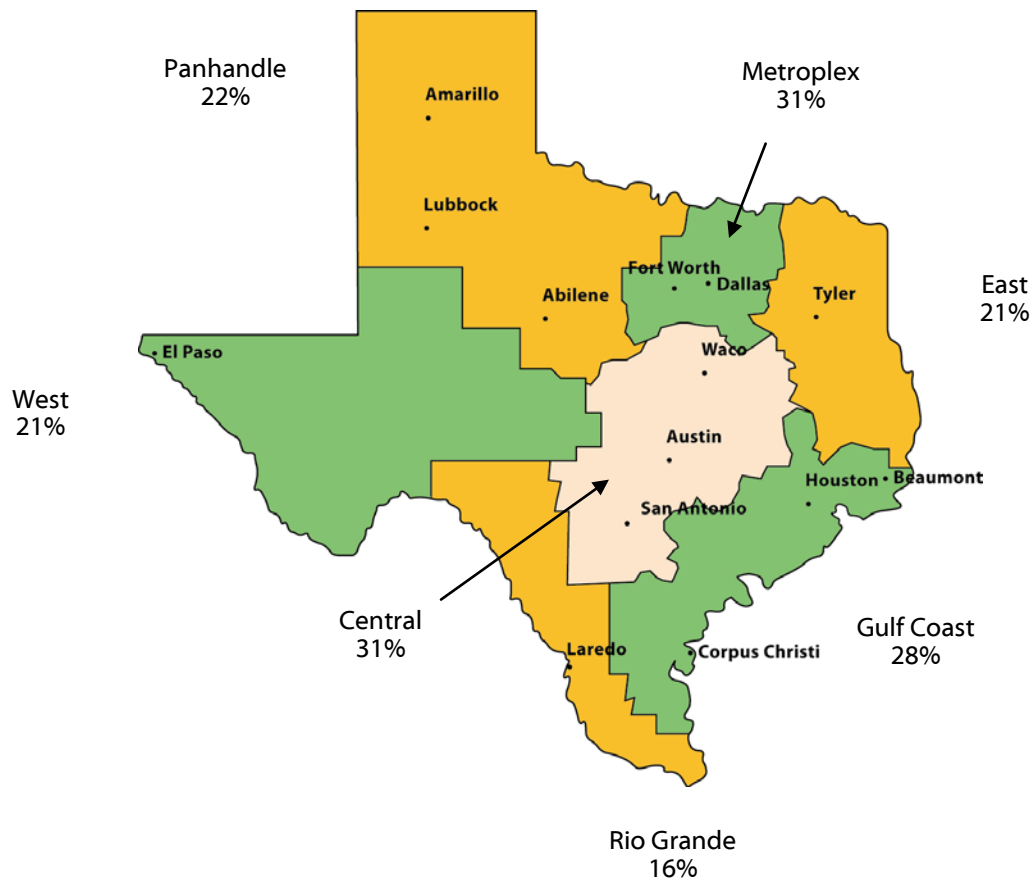
- In Texas, Hispanics are the least likely to complete a bachelor's degree. A little more than one in ten Hispanics age 25 and older has a bachelor's degree or higher, compared with more than one in three Whites.
- The percentage of African-Americans in Texas who have a bachelor's degree is 16 percentage points lower than that of Whites. This gap has increased by 5 percentage points since 2012.
- Among the six largest states, Texas ranks third in the percentage of Whites with a degree, ranks second for African-Americans, and ranks last for Hispanics.

Source: U.S. Census Bureau, Current Population Survey 2014. Current Population Survey (CPS) Table Creator For the Annual Social and Economic Supplement ([http://www.census.gov/hhes/www/cpstc/cps\\_table\\_creator.html](http://www.census.gov/hhes/www/cpstc/cps_table_creator.html)).



# Texas Educational Attainment Levels Vary by Region

Population Age 25 and Older with a Bachelor's Degree or Higher (2013)



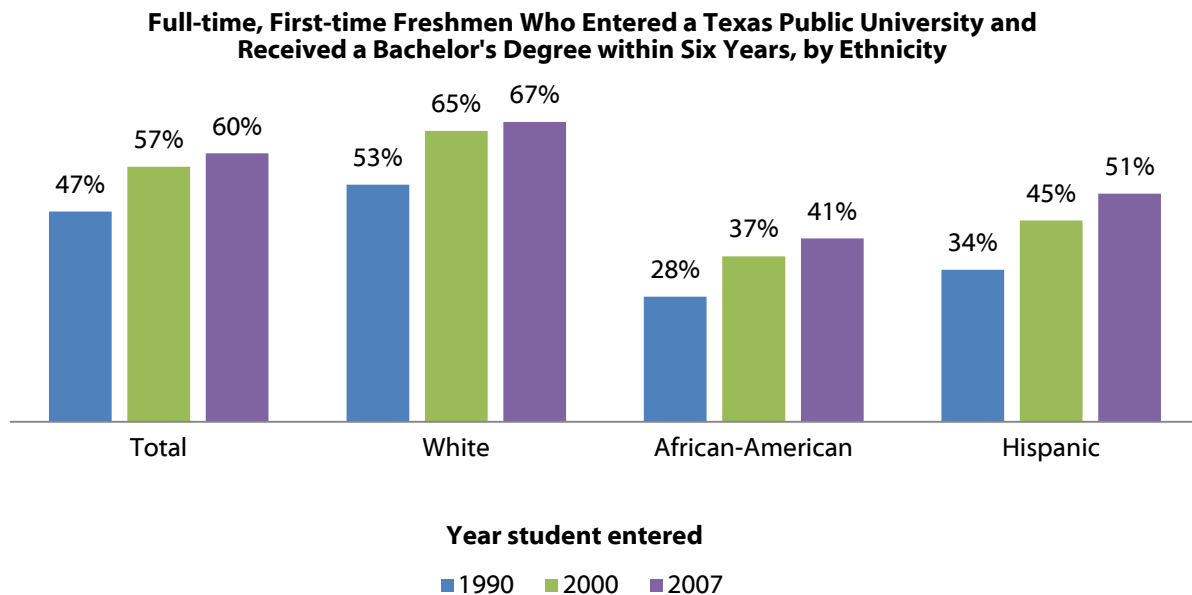
Educational attainment levels in the different regions of Texas vary dramatically. In the Metroplex region, 31 percent of people age 25 and older have a bachelor's degree or higher. In Central Texas, home to the state's two flagship universities, 31 percent of adults have a bachelor's degree or higher, and in the Gulf Coast region, 28 percent have a bachelor's degree or higher. However, educational attainment levels drop off in other areas of the state. The East Texas, West Texas, and Panhandle regions all record lower levels of educational attainment, and in the Rio Grande Valley region, the percentage of college graduates is almost half that in the Metroplex region.

Source: U.S. Census Bureau, American Communities Survey, 2011-2013 Three-Year Estimates, Washington, D.C. (<http://www.census.gov/acs/www/>)





# Graduation Rates in Texas Remain Stratified by Race/Ethnicity



College graduation rates in Texas are rising, but remain stratified by ethnicity. About 60 percent of first-time (in college), full-time freshmen who entered a Texas public university in 2007 obtained a bachelor's degree from that or another Texas public university within six years, but the rate varied from 67 percent of Whites to 51 percent of Hispanics to 41 percent of African-Americans. The six-year graduation rates have risen over the past two decades for all racial and ethnic groups, but the rates have not increased as dramatically for African-American students as they have for White and Hispanic students. As of Fiscal Year (FY) 2013, only 28.1 percent of freshmen in Texas graduate in four years. Most undergraduates in the U.S. take more than four years to complete a bachelor's degree. In 2010, only 31.3 percent of students nationally completed a degree within 4 years. Reasons for this vary, but include that the student may be: 1) pursuing a degree that requires more than 120 credit hours; 2) pursuing more than one degree; 3) changing his or her degree plan or major; 4) taking extra courses beyond those needed to graduate; 5) leaving or "stopping out" of school for brief periods; or 6) transferring from one institution to another. In addition, many students may attend school part time and work long hours in order to cut costs. In fall 2013, 22 percent of public university undergraduates in Texas attended school less than full time/full year; that is, they either took fewer than 12 hours per semester or did not attend two semesters.

Sources: National 4-year Graduation rates: The Chronicle of Higher Education. College Completion. [http://collegecompletion.chronicle.com/state/#state=ny&sector=public\\_four](http://collegecompletion.chronicle.com/state/#state=ny&sector=public_four); Graduation rates: Six-year and ten-year: THECB, Baccalaureate Graduation Rates <http://www.thecb.state.tx.us/reports/PDF/3409.PDF?CFID=18285142&CFTOKEN=11849287>; Four-year :THECB, Higher Education Accountability System (<http://www.txhighereddata.org/Interactive/Accountability/>);



# Texas Ranks Low in Percentage of Young Adults with a Bachelor's Degree or Higher

Percentage of Young Adults in 2013 (Ages 25-34) With a Bachelor's Degree or Higher

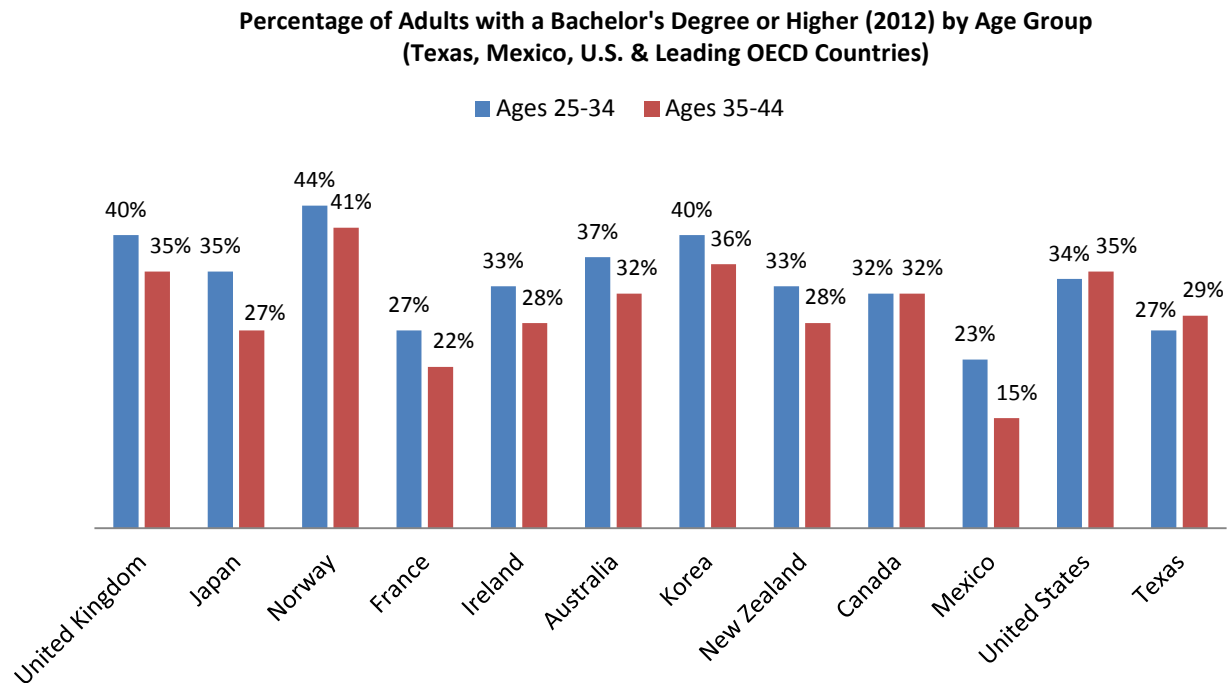
<u>U.S. States</u>	<u>%</u>	<u>OECD Countries</u>
	↑	
Massachusetts	48	
	46	
	44	Norway
New York • New Jersey	42	Poland
Connecticut	40	Korea • Netherlands • United Kingdom
Virginia • Vermont		Finland
Illinois • Maryland • Colorado • Minnesota	38	
		Australia
Pennsylvania • Rhode Island • New Hampshire	36	Iceland • Luxembourg
		Japan • Denmark
North Dakota • Nebraska	34	<b>United States</b> • Sweden
Delaware • Kansas • Iowa		Israel • Ireland • New Zealand
Wisconsin • Washington • Missouri • California	32	Canada • Switzerland
Ohio • North Carolina • Montana • Oregon		
Hawaii • Maine • Michigan • South Dakota • Utah	30	<b>OECD Average</b>
Georgia		Hungary
Indiana • Tennessee	28	Czech Republic • Portugal
<b>Texas</b> • Florida • Wyoming • South Carolina		France • Spain • Estonia
Kentucky • Arizona	26	Slovak Republic
Idaho • Alaska • Alabama • Louisiana • Oklahoma		Belgium • Chile
West Virginia	24	
Arkansas		Mexico
New Mexico • Nevada	22	Italy • Slovenia
Mississippi		Turkey • Greece
	20	
		Germany
	18	Austria
	16	Chile

The U.S. is often compared to other countries in the Organization for Economic Co-operation and Development (OECD) when measuring educational attainment. However, within the United States, each individual state can have very different education systems. Disaggregating attainment by individual U.S. states highlights the variance between state education systems in attainment percentages. The U.S. average for young adults (ages 25-34) with a bachelor's degree or higher is 34 percent, 4 percentage points higher than the OECD average and 5 percentage points higher than the Texas average. These rankings can change significantly when comparing attainment levels of an associate degree or higher.

Source: OECD (2014), *Education at a Glance 2014: OECD Indicators*, OECD Publishing. <http://dx.doi.org/10.1787/eag-2014-en>; U.S. Census Bureau, 2013 American Community Survey, 2013 Three-Year Estimates <http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>. Note: The methodology and design for this figure was derived from the Texas Business Leadership Council and NCHEMS, 2013 TAB Higher Education Summit.



# Attainment Levels for Young Adults in United States and Texas Fall Behind the Gains of Leading OECD Countries



Measuring the attainment rates for postsecondary credentials is one way to evaluate the health and future of economies. To meet the demands for highly skilled workers, many countries have placed an emphasis on boosting their attainment rates. One way of observing which economies are succeeding in increasing higher education attainment is by comparing the levels of young adults (ages 25-34) with a bachelor's degree or higher to older adults (ages 35-44).

Most of the leading Organization for Economic Co-operation and Development (OECD) countries have young adult attainment levels that are 3 to 8 percentage points higher than their older adult populations. This may signal that these countries have a young workforce that is more skilled than their older workforce. In contrast, the Texas and United States populations have not seen increases in young adult attainment. To meet 21<sup>st</sup> century workforce needs, Texas will need to produce a higher percentage of young adults with postsecondary credentials. It is important to note that these figures may look different when comparing the attainment of associate degrees; however, the underlying trends are the same.

Source: OECD (2014), *Education at a Glance 2014: OECD Indicators*, OECD Publishing, <http://dx.doi.org/10.1787/eag-2014-en>; U.S. Census Bureau, 2013 American Community Survey, 2013 Three-Year Estimates <http://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>.  
Note: The methodology and design for this figure was derived from the Texas Business Leadership Council and NCHEMS, 2013 TAB Higher Education Summit



# THECB Reports Texas on Pace to Meet Overall Higher Education Targets, but Well Below Pace to Meet Target for Hispanic Enrollment

Although the number of students enrolled in college in Texas has been increasing, a smaller percentage of the population in Texas participates in higher education than in other large states and the U.S. as a whole. In 2013, 24.5 percent of the Texas population age 18 and older was enrolled in college or graduate school, versus 28.3 percent for the U.S. and 30.1 percent for California. In 2000, Texas set the goal of “closing the gaps” in participation and success in higher education by 2015. The state aims to achieve this goal by increasing the number of students enrolled by 630,000, and increasing the number of degrees and certificates awarded by 50 percent.

In June 2014, the Texas Higher Education Coordinating Board (THECB) reported that as of fall 2013, the state is on pace to meet its 2015 total higher education enrollment goal, although Hispanic student enrollment falls well below the target trend line. White student participation has decreased for the fourth consecutive year, falling by around 31,000 students since fall 2010. Meanwhile, African-American students continued to make impressive gains that have already surpassed the participation goal for 2015. Although Hispanic enrollment rose by almost 11,000 in fall 2013, enrollment will need to grow by another 28 percent to reach the 2015 goal.

THECB also reported that the state has already surpassed its 2015 goal for the total number of degrees and certificates awarded. The six-year graduation rate of first-time, full-time cohorts of students starting at public universities increased from 49.6 percent for those graduating by FY 2000 to 60 percent for students graduating by FY 2012.

**Texas Participation Targets for 2015**

	<b>Actual Fall 2013</b>	<b>2015 Targets</b>	<b>Difference</b>	<b>Growth Needed to Reach 2015 Targets</b>
Total enrollment	1,614,646	1,650,000	35,354	2%
African-American enrollment	229,695	172,700	-56,995	0%
Hispanic enrollment	526,310	676,100	149,790	28%
White enrollment	638,270	671,300	33,030	5%

**Texas Success Targets for 2015**

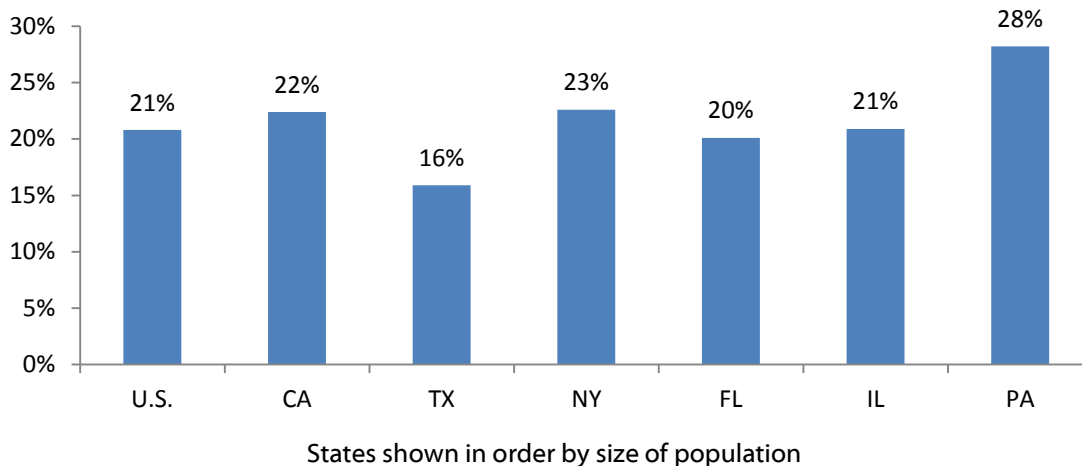
	<b>Actual FY 2013</b>	<b>2015 Targets</b>	<b>Difference</b>	<b>Growth Needed to Reach 2015 Targets</b>
Total certificates and degrees	242,823	210,000	-32,823	0%
Associate degrees	70,533	55,500	-15,033	0%
Bachelor's degrees	121,310	112,500	-8,810	0%

Sources: U.S. Census Bureau, American Community Survey 2013 ([http://www.census.gov/acs/www/data\\_documentation/2013\\_release](http://www.census.gov/acs/www/data_documentation/2013_release)). THECB. Closing the Gaps Progress Report, June 2014 (<http://www.theccb.state.tx.us/reports/PDF/5924.PDF?CFID=17606207&CFTOKEN=54273402>). THECB. Report Center. <http://www.theccb.state.tx.us/reports/PDF/3409.PDF?CFID=18285142&CFTOKEN=11849287>).



# Texas Ranks Eighth From Last among Ninth Graders Who Graduate From High School and College on Time

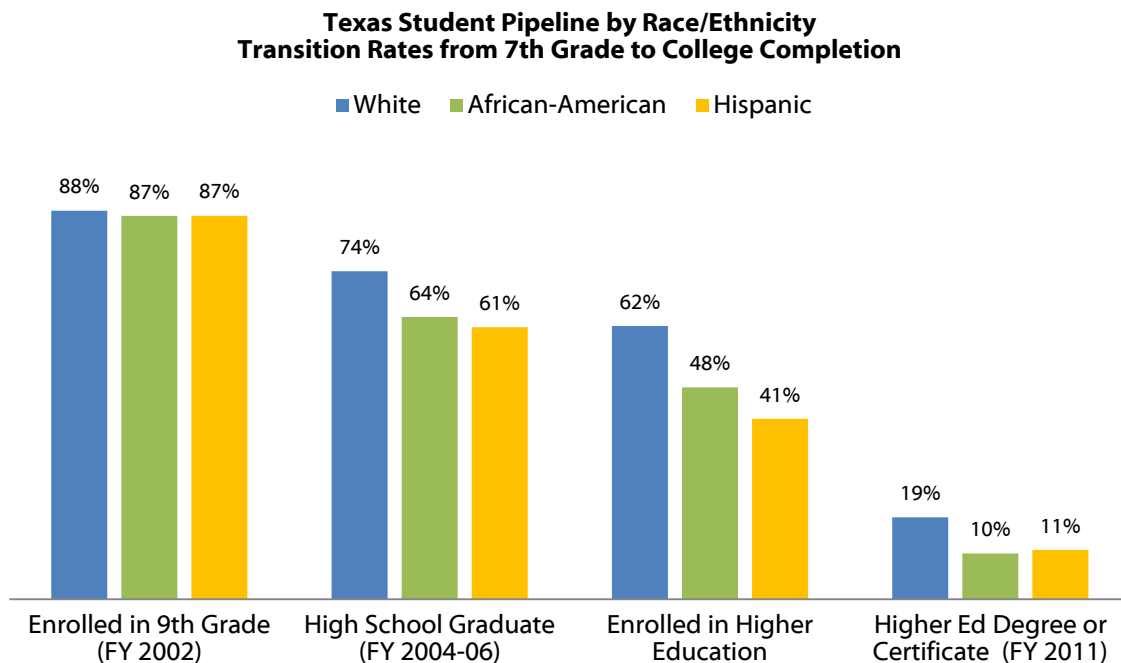
**Percentage of 9th graders who graduate from HS on time, go directly to college, return for their second year, and graduate within 150% of program time (2010)**



Texas ranks lower than the nation in the percentage of ninth grade students who graduate from high school on time, enter college the next year, are still enrolled their sophomore year, and graduate from college within 150% of program length. Data from 2010 indicate that less than 16 percent of Texas students who enter the educational pipeline in ninth grade are able to stay in the pipeline continuously until they graduate with a degree in higher education. Nationwide, 21 percent of students are able to accomplish this goal, and only seven states have rates lower than Texas (New Mexico, Alabama, Idaho, Louisiana, Alaska, Nevada, and Hawaii). The leak in the pipeline starts early in Texas, where only 70 percent of ninth graders graduate from high school, ranking Texas in the bottom twelve states on that measure. Texas also ranks in the bottom ten states in the percentage of high school graduates entering college and in the one-year retention rate of college freshmen.

Of the six largest states in the nation, only Pennsylvania, with 29 percent, has a higher percentage of these graduates than the nation.

# Many Texas Students Exit the Education Pipeline toward a Higher Education Degree or Certificate at Transition Points



The student pipeline is a one way to observe the path that Texas students take towards earning a postsecondary credential. The pipeline highlights the major transition points where many students drop out of the system. Simply focusing on student success after high school is an insufficient strategy to increase the number of postsecondary credentials. Instead, a strategy of promoting student achievement at every level of the educational pipeline has a better chance of increasing degree attainment.

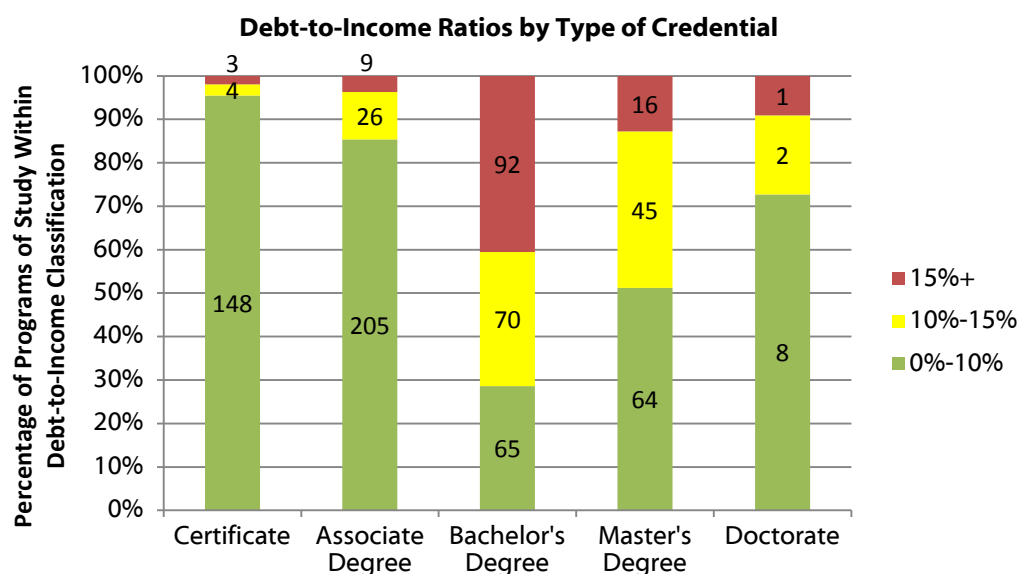
At every stage of the student pipeline, larger percentages of Hispanic and African-American students exited compared to White students. Whereas 62 percent of White 7<sup>th</sup> graders in 2000 enrolled in higher education directly following high school graduation, only 48 and 41 percent of African American and Hispanic 7<sup>th</sup> graders enrolled, respectively. Reducing these disparities is essential to making the attainment gains Texas needs for a skilled and competitive workforce, because these gains will most easily be found in underserved populations. For all student groups, those who enrolled in higher education but did not complete a degree or certificate represented the largest drop-off in the student education pipeline.

Note: The methodology and design for this figure was derived from the Texas Business Leadership Council and NCHEMS, 2013 TAB Higher Education Summit

Source: Texas Higher Education Coordinating Board, Regional Topic Data Tabs: 7<sup>th</sup> Grade Cohort and HS to College Data, 2012 ([www.txhighereddata.org/reports/performance/regions/2012/RegionalTopicHStoCollege.xls](http://www.txhighereddata.org/reports/performance/regions/2012/RegionalTopicHStoCollege.xls)). TEA and National Student Clearinghouse data used by THECB. Out-of-state graduate total not shown, because current NSC data collection extends only into 2006.



# Most Programs of Study in Texas Report Graduates' Debt-to-Income Ratios Are Less Than Ten Percent



Debt-to-income ratios — comparisons of annual student loan debt to annual income — are becoming a more common metric to determine the potential financial burden borrowers may encounter after leaving school. Many experts recommend that annual student loan payments not exceed 15 percent of a borrower's annual income. Based on income within the first year of graduation, certificate holders are the most likely to have debt-to-income ratios under 10 percent, followed closely by associate degree graduates. Bachelor's degree graduates, who are typically enrolled in school for additional years, are the least likely to have ratios less than 10 percent.

Type of Credential	Median Annual Student Loan Payment	Median Annual After-Tax Income	Average Debt-to-Income Ratio
Certificate	\$1,082	\$23,896	5%
Associate Degree	\$1,209	\$23,372	5%
Bachelor's Degree	\$3,698	\$26,304	14%
Master's Degree	\$4,294	\$43,500	10%
Doctorate	\$3,621	\$69,836	5%
Overall	\$1,878	\$27,862	7%

Within the first year after graduation, annual incomes do not vary greatly by award type. However, holders of bachelor's or graduate degrees have student loan payments that are more than double that of their certificate and associate degree counterparts. This first-year snapshot does not necessarily reflect the long-term earning potential of these graduates. With the current economy, many graduates — especially those who are entering the workforce for the first time — are unemployed or underemployed. The data shown above depict the financial circumstances experienced by many new graduates in Texas.

Sources: Public Institution Income: Texas Higher Education Coordinating Board, Gainful Employment – Placement Rate, 2012 (<http://www.txhighereddata.org/reports/performance/ctcasalf/gainful.cfm>); Public Institution Debt: Texas Higher Education Coordinating Board, Debt by Major by School, 2012 (unpublished, special request); For-profit Institution Data: U.S. Department of Education, 2012 Gainful Employment Downloadable Spreadsheet, (<http://studentaid.ed.gov/about/data-center/school/ge/data>).

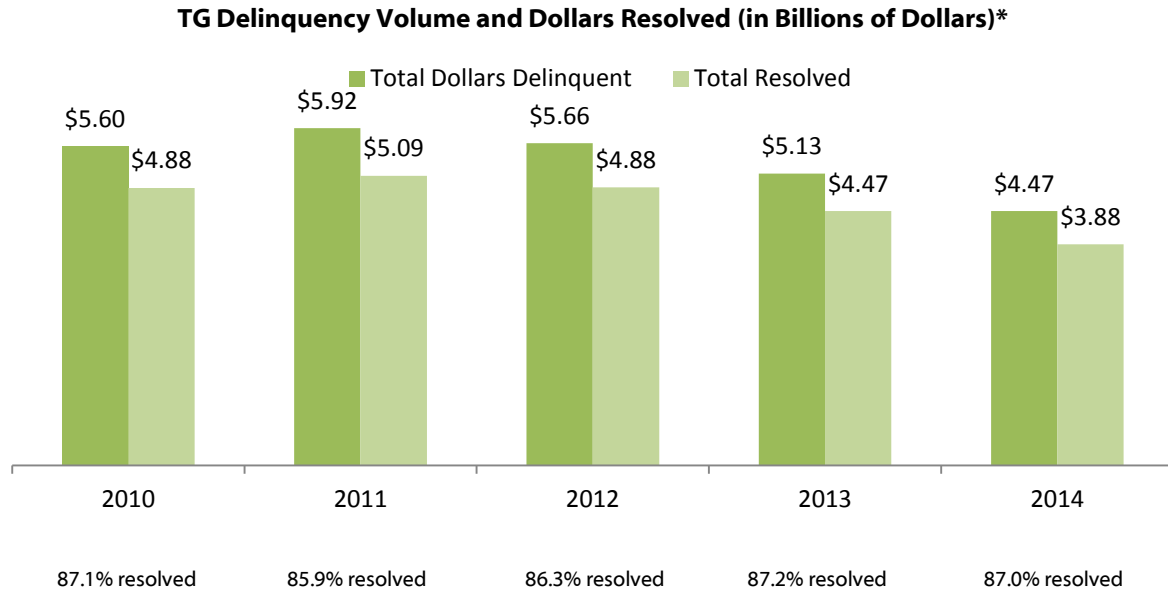


## SECTION 9

# Delinquencies, Defaults, and Collections



# Over 80 Percent of Delinquent Loans Are Brought Back into Good Standing



After receiving a notice that a borrower's loan has become delinquent, TG undertakes a variety of efforts to keep the loan from going into default, including calling, emailing, and sending letters. TG debt counselors work with the borrower to understand his or her unique situation and to provide information regarding the most advantageous options for resolving a delinquency. Counselors may follow up with the borrower to determine any continued need for assistance and provide further repayment guidance.

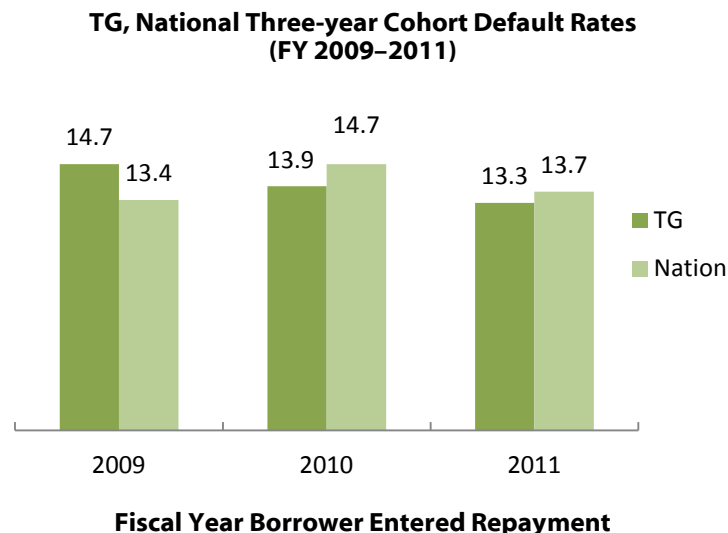
For more than a decade, TG has annually prevented over 85 percent of delinquent dollars from going into default. In Fiscal Year (FY) 2003, TG resolved 90 percent of delinquent volume, the highest rate within the last decade. Although TG's rates over the last five fiscal years have been lower than the rate in FY 2003, the actual dollar amount resolved in FY 2012 is more than double of that in FY 2003 (\$4.88 and \$2.37 billion dollars, respectively). This growth reflects the overall increase in delinquent volume, which is itself at least partially a result of the fact that the size of TG's portfolio grew significantly between FY 2001 and FY 2009. Between FY 2013 and FY 2014, TG's delinquent loan volume decreased by over half a billion dollars. However, the proportion of delinquent dollars brought back into good standing over these two years was approximately the same.

Source: Source: TG, Internal Database, 2014.



# Default Rates for TG and the Nation Decrease

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The Higher Education Opportunity Act (HEOA) of 2008 redefined cohort default rates (CDRs) to include a third year. Publication of the new three-year rates began in 2012, specifically for the cohort of borrowers who entered repayment on their loans in FY 2009. TG's three-year CDR for the FY 2009 cohort was 14.7 percent, a difference of 5.5 percentage points from its two-year rate. In comparison, the national three-year CDR for this cohort was 13.4 percent. Between FY 2009 and FY 2010, the three-year CDR for TG dropped to 13.9 percent, while the national rate increased to 14.7 percent. In FY 2011, the rates for both TG and the nation decreased, by 0.6 and 1.0 percentage points, respectively.

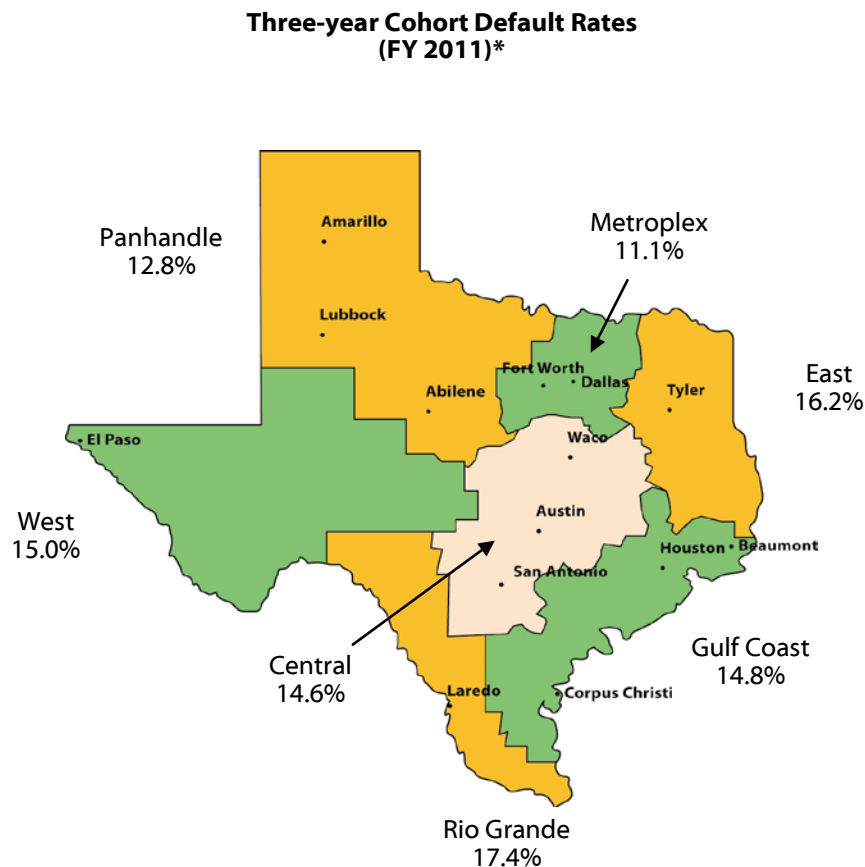
TG undertakes numerous efforts to prevent defaults, including calling and sending letters to borrowers with delinquent loans, providing schools with default prevention training, providing a Web-based tool to help schools and lenders more effectively focus their default prevention resources, and participating in an industry advisory committee to develop best practices for default prevention. TG also provides resources for high school counselors to advise students on the options to pay for college, and the ramifications of taking on debt. In addition, the TG Financial Literacy Program can help students learn how to manage their money and make thoughtful financial choices.

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Source: U.S. Department of Education, Fiscal Year Three-Year Official Cohort Default Rates, Washington, D.C., 2014.



# Texas Three-year Cohort Default Rates Vary by Region



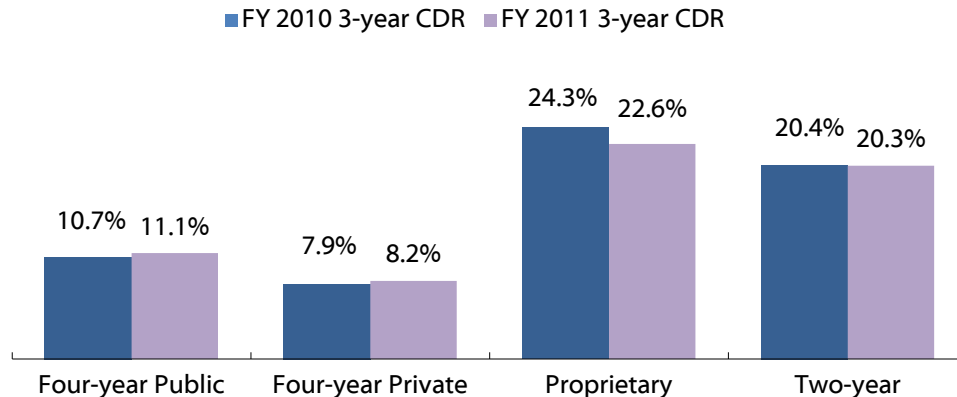
The overall Fiscal Year (FY) 2011 three-year cohort default rate (CDR) for Texas was 15.9 percent (compared to 17.3 percent in FY 2010). Texas' FY 2011 CDR was 2.2 percentage points higher than the 13.7 default rate for the nation and 2.6 percentage points higher than the rate for TG (i.e., 13.3 percent). The CDRs for the different regions of Texas vary from 17.4 percent in the Rio Grande Valley region to a low of 11.1 percent in the Metroplex region. All of the Texas regions experienced a decrease in the three-year default rates between FY 2010 and FY 2011. The largest difference was seen for schools in the East Texas region, where the three-year CDR decreased by over five percentage points, from 21.5 percent to 16.2 percent. In contrast, the change for schools in the Central Texas region was marginal, down 0.3 percentage points from the FY 2010 rate of 14.9 percent.

Source: U.S. Department of Education, Fiscal Year 2010 and Fiscal Year 2011 Three-Year Official Cohort Default Rates, Washington, D.C., 2014.



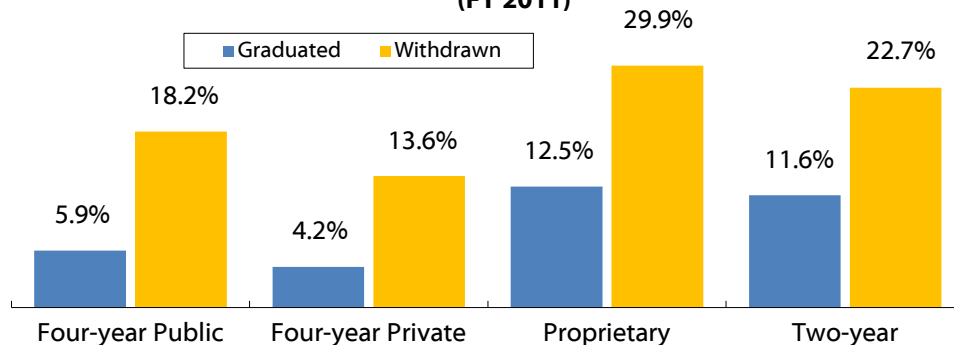
# Short-Term Programs Have Higher Three-year Default Rates

**TG Three-year Cohort Default Rates\* by School Type**



TG borrowers who attended short-term programs (i.e., two-year and proprietary institutions) have a combined FY 2011 three-year cohort default rate (CDR) more than twice the rate of those who attended four-year schools (21.5 percent and 10.4 percent, respectively). At 22.6 percent, the highest FY 2011 three-year CDR is for the proprietary sector, more than two-and-a-half times as high as the sector with the lowest default rate, four-year private schools (8.2 percent). There are several factors that contribute to the tendency toward higher CDRs for short-term programs, as compared to four-year schools. For example, borrowers from short-term programs are more likely to have risk factors for dropping out of school, such as attending school part time and working full time, than are students from four-year colleges and universities.

**TG Three-year Cohort Default Rates by School Type and Enrollment Status (FY 2011)**



A borrower who completes his or her program of study is much more likely to pay back a student loan than one who drops out. TG's FY 2011 three-year CDR for borrowers who withdrew from school is 20.1 percent, more than three times as high as the default rate for borrowers who graduated from a postsecondary institution (6.4 percent). The school sector with the greatest percentage point gap in default rate between borrowers who graduated and those who withdrew is the proprietary sector, a difference of 17.4 percent. However, four-year schools had a greater percentile difference than did two-year schools; borrowers from long-term programs who withdrew from school were over three times more likely to default than those who graduated. Among all of the borrowers in TG's official FY 2011 cohort, 49 percent withdrew from school before completing their programs and, thus, were at a high risk of defaulting on their loans.

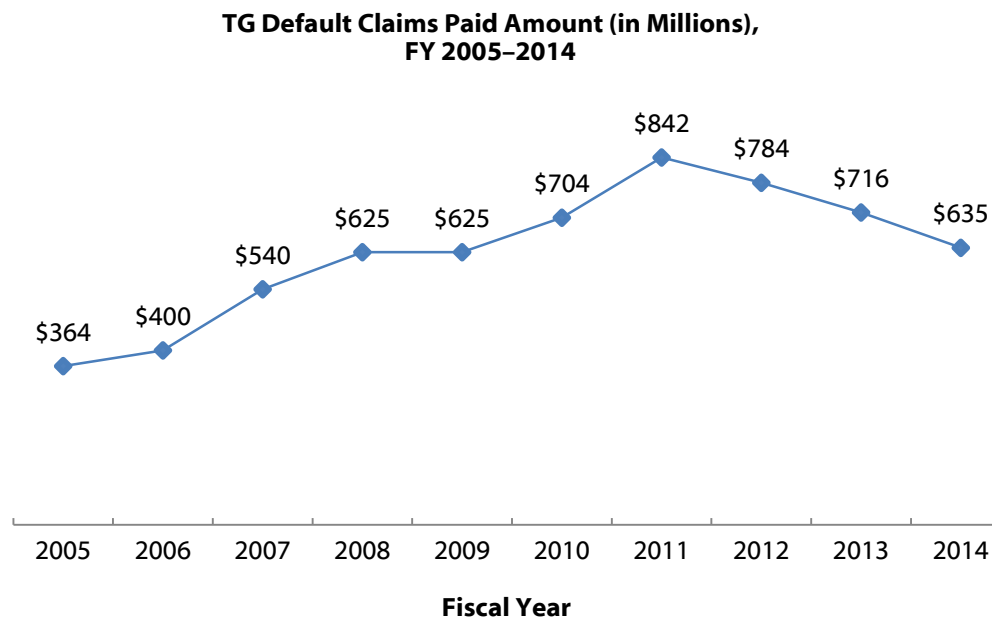
\*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations before the end of the next fiscal year. The FY 2011 cohort default rate, for example, is based on student borrowers who entered repayment during FY 2011 and subsequently defaulted by the end of FY 2013.

Source: Cohort Default Rates: U.S. Department of Education, Fiscal Year 2011 Official Cohort Default Rates, Washington, D.C., 2014.; All Other: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2008" (<http://www.nces.ed.gov/das/>).



# Default Claims Decrease

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The amount that TG has paid in default claims increased between Fiscal Year (FY) 2005 and FY 2011. These increases are at least partially a result of the fact that the size of TG's portfolio grew significantly between FY 2001 and FY 2009. Since FY 2001, TG's loan originations rose at a considerably higher rate. During the same period of time, the amount of consolidation loans in TG's portfolio greatly expanded as a result of a change in policy, and a push toward consolidation of loans after interest rates dropped. Overall, TG's default claim volume has paralleled its growth in portfolio. In FY 2011, TG paid \$842 million in default claims, an increase of \$138 million (or, nearly 20 percent in volume) from the prior year. However, the dollar amount in claims dropped from \$842 million to \$784 million between FY 2011 and FY 2012, by another \$68 million between FY 2012 and FY 2013, and by \$81 million between FY 2013 and FY 2014. The cessation of originations under the Federal Family Education Loan Program (FFELP), effective July 1, 2010, is likely to continue the trend towards decreases in the default claims paid by TG.

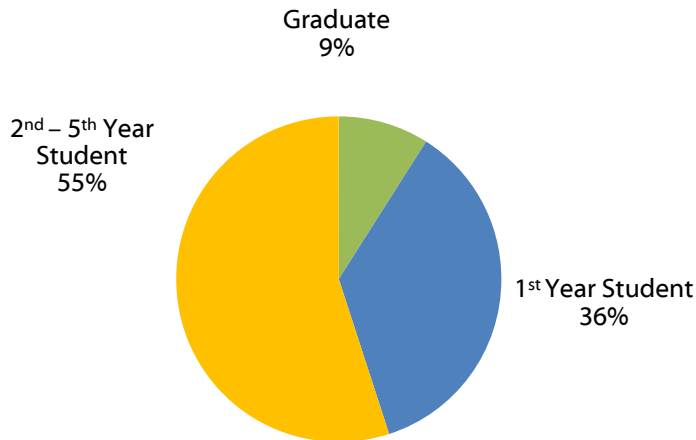
Source: TG, Internal Database, 2014.



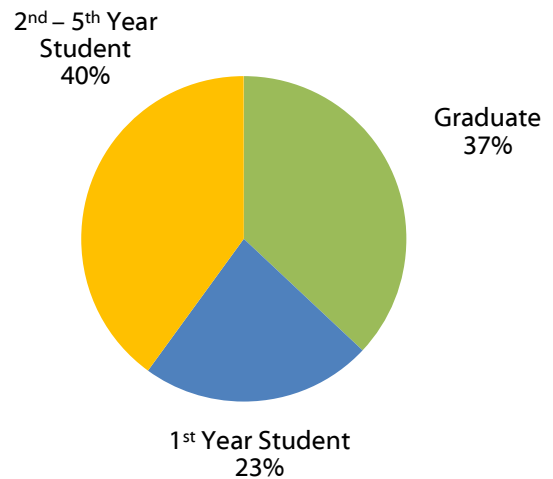
# The Majority of TG Defaults Occur among Undergraduate Borrowers

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**TG Default Claims by Grade Level  
FY 2014**



**TG Gross Guarantees by Grade Level  
(Excludes Consolidations)  
FY 2006 to FY 2010**



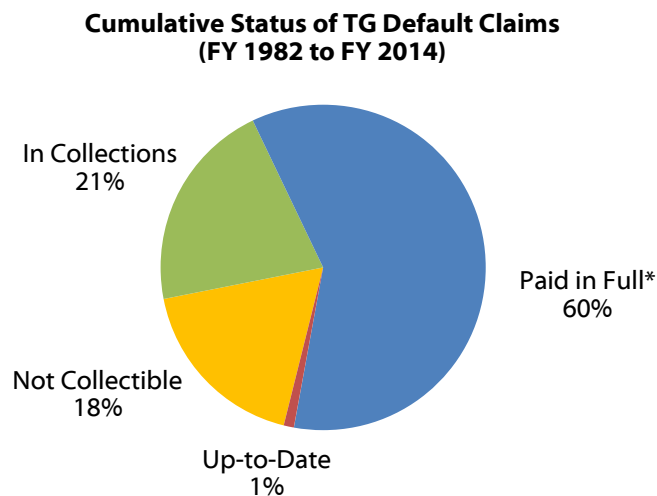
Students who last borrowed during their first year of postsecondary education accounted for 36 percent of all default claims in Fiscal Year (FY) 2014. In contrast, first-year students accounted for 23 percent of the dollar amount in loan guarantees during the period from FY 2006 through FY 2010. Thus, claims are paid disproportionately compared to loan guarantees by grade level.

Source: TG, Internal Database, 2014.



# Many Defaulted Borrowers Make Good on Their Debt

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Since TG's inception, more than half of the borrowers whose loans have defaulted and gone into collections have paid off their debt or are currently in repayment. Specifically, 60 percent have paid their loans in full, while another one percent has made a payment in the last three months. Twenty-one percent have at least one loan in collections, meaning there have been no payments made during the last 90 days. Eighteen percent of the default claims that TG has paid are not collectible due to death, disability, bankruptcy discharge, or subrogation (i.e., assumed possession) by the U. S. Department of Education.

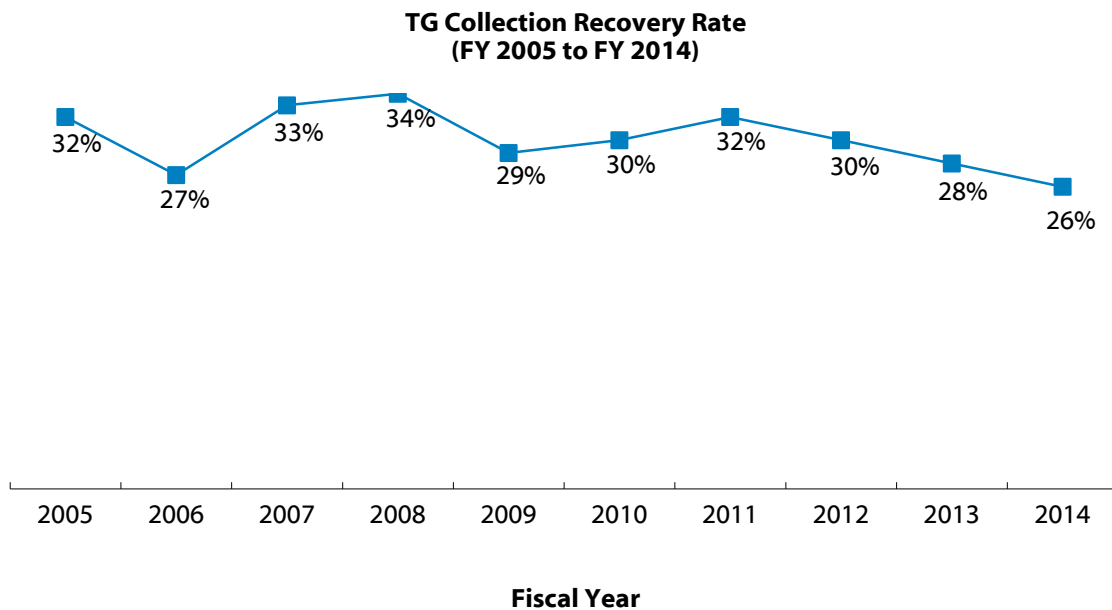
\* Includes loans paid in full by consolidation, for which borrowers may presently be making payments.

Source: TG, Internal Database, 2014.



# TG Recovery Rate Decreases

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In order to prevent defaults, TG employs several strategies to assist the lender in resolving a delinquent loan. For example, TG contacts the borrower (via phone calls, letters, etc.) and either gets him or her back into repayment before the loan defaults, or provides a deferment or forbearance if the borrower qualifies for one. If these efforts fail and the loan defaults, TG tries to bring the borrower into repayment using numerous collection strategies. These include letters, phone calls, credit reporting, professional license denial, wage garnishment, and state employee warrant holds (i.e., cases where expense reimbursements are redirected to paying off a defaulted loan). Using these strategies, TG's collection recovery rate\* has ranged between 26 percent and 34 percent over the last ten years. The highest recovery rate during this period was, at 34 percent, in Fiscal Year (FY) 2008. The following year, the rate dropped by five percentage points (i.e., to 29 percent). Between FY 2009 and FY 2011, the recovery rate increased to 32 percent. However, in FY 2012, the rate fell back to its FY 2010 level of 30 percent and it decreased again by two percentage points in FY 2013. In FY 2014, the recovery rate dropped again to 26 percent.

\* Collection recovery rates are the amount of loan collections in a given fiscal year divided by the balance of accumulated defaults at the beginning of that year.

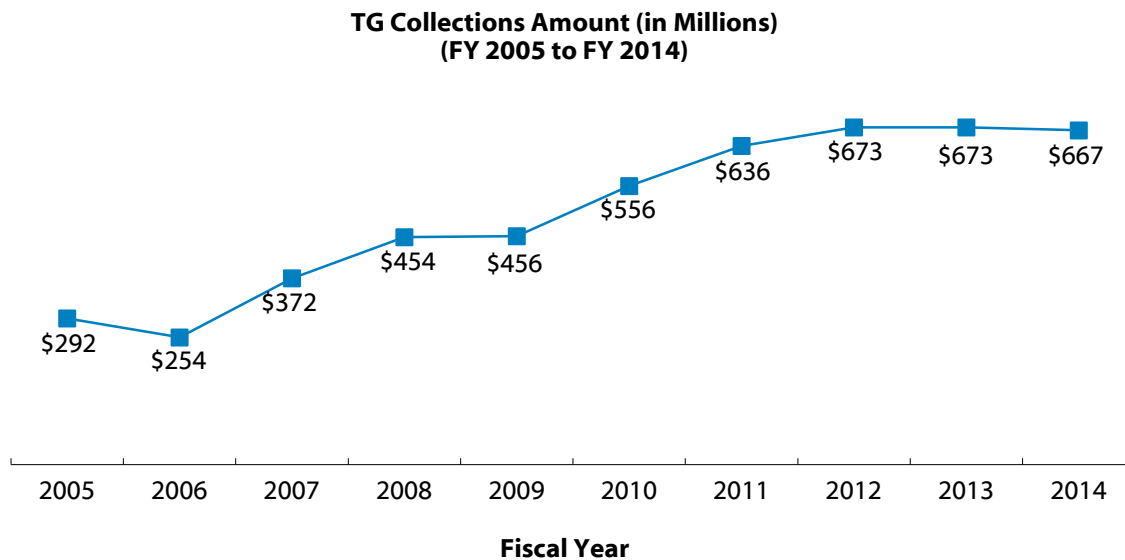
Source: TG, Internal Database, 2014.





## TG Collection Amounts Decrease Slightly

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TG's collection amount remained relatively flat from FY 2001 to FY 2006, with two years of significant growth in FY 2007 and FY 2008, and another relatively flat year in FY 2009. A growing claims paid amount has contributed to the rise in collection recoveries over the last decade. The highest amount collected to date (\$673 million) occurred in FY 2012, well over twice what was collected in FY 2006. These increases are at least partially a result of the fact that the size of TG's portfolio grew significantly between FY 2001 and FY 2009. This growth in the dollar amount for both claims paid to TG and amount collected by TG has paralleled TG's growth in portfolio. During FY 2013, TG collected the same amount as in FY 2012, \$673 million. In FY 2014, TG's collection amount decreased by \$6 million.

Source: TG, Internal Database, 2014.



**SECTION 10**

# Texas Higher Education Policy

# Texas Has a Strong Longitudinal Data System

## Essential Elements of Statewide Longitudinal Data Systems Texas Progress as of 2013

✓	Statewide Student Identifier
✓	Student-Level Enrollment Data
✓	Student-Level Test Data
✓	Information on Untested Students
✓	Statewide Teacher Identifier with a Teacher-Student Match
✓	Student-Level Course Completion (Transcript) Data
✓	Student-Level SAT, ACT, and Advanced Placement Exam Data
✓	Student-Level Graduation and Drop-Out Data
✓	Ability to Match Student-Level P–12 and Higher Education Data
✓	A State Data Audit System

The Data Quality Campaign (DQC) is an organization that works to provide support and information to states as they build their student-level longitudinal data systems. To reach their 50-state goal, DQC has identified ten “essential elements of statewide longitudinal data systems.” The list includes elements such as having a statewide student identifier, student-level transcript data, and the ability to match student-level P–12 and higher education data. Texas has had nine of ten elements in place since 2005, and implemented the final element in 2011. By 2011, all states had at least seven elements in place, and more than two-thirds of the nation had all ten.

## State Actions for Effective Data Use Texas Progress as of 2013

✓	Link State Data Systems With Early Learning, Postsecondary, Workforce, and Other Critical State Agency Data Systems
✓	Create Stable, Sustainable Support for Longitudinal Data Systems
✓	Develop Governance Structures to Guide Data Collection and Use
✓	Build State Data Repositories
✗	Provide Timely, Role-Based Access to Data While Protecting Privacy
✓	Create Progress Reports With Student-Level Data for Educators, Students, and Parents
✓	Create Reports Using Longitudinal Statistics to Guide System-Level Change
✓	Develop a Purposeful Research Agenda
✓	Implement Policies and Promote Practices to Build Educators’ Capacity to Use Data
✓	Promote Strategies to Raise Awareness of Available Data

DQC also identified ten “state actions for effective data use” to ensure smart use of data. Actions on the list include linking data systems from prekindergarten through postsecondary and workforce, creating progress reports using the data, and developing governance structures regarding data collection and use. As of 2013, Texas had taken nine of ten actions on the list. Only nine other states have at least nine actions on the list, while only three states have all ten. Texas did not get credit for one of the measures, providing “all stakeholders with timely access to the information they need while protecting student privacy,” because although students and teachers have access to the data and privacy protections in place, a variety of stakeholders still don’t have access to the data.

Source: Data Quality Campaign, 2014 DQC State Analysis (<http://www.dataqualitycampaign.org/files/pdf/stateprofiles/TX.pdf>).



# Meeting Closing the Gaps Goals Would Benefit Texas Greatly

The Texas Higher Education Coordinating Board (THECB) commissioned a study in 2007 to assess the impacts to the Texas economy if the goals of Closing the Gaps are met. In 2000, Texas set the goal of “closing the gaps” in participation and success in higher education by 2015. The state aims to achieve this goal by increasing the number of students enrolled by 630,000, and increasing the number of degrees and certificates awarded by 50 percent, over the 2000 numbers. Closing the Gaps also has an excellence goal, to increase the number of nationally recognized programs and services in Texas, and a research goal, to increase the proportion of federal research and development funding in Texas as compared to all U.S. institutions. If Texas can meet its 2015 Closing the Gaps goals, it will produce annual gains\* between 2006 and 2030 of:

- \$489.6 billion in spending
- \$194.5 billion in gross state product
- \$121.9 billion in personal income

Additionally, Texas would gain 1,023,281 permanent jobs between 2006 and 2030. “When all public (state and local) and private costs are considered, the annual economic returns per \$1 of expenditures by 2030 are estimated to be \$24.15 in total spending, \$9.60 in gross state product, and \$6.01 in personal income.”\*\* These benefits affect every region of the state, from densely populated urban centers to rural border towns.

Closing the Gaps Goals and Progress			
	2000 Actual	2013 Actual	2015 Target
Participation	baseline	+575,881	+611,235
Success	116,235	242,823	210,000
Excellence	Goal: to substantially increase the number of nationally recognized programs or services in Texas by 2015		
Research	5.5%	5.2%***	6.5%

## Progress in Participation

As of fall 2013, the state is on pace to meet its 2015 higher education enrollment goal, needing to grow another two percent to reach the 2015 overall enrollment goal of 1,650,000. African-American enrollment has already surpassed its target by more than nineteen percent. White enrollment has been on a downward trend and needs to grow by five percent. Hispanic enrollment is farthest from its ambitious 2015 goal, needing to increase by 28 percent.

## Progress in Success

By 2013, Texas exceeded the 2015 Success target by 32,823 BACs. Awards increased 2.6 percent from 2012 to 2013. While awards of associate degrees have exceeded individual targets since 2011, the individual targets for the 2015 goal for bachelor's were met in 2012.

## Progress in Excellence

Most institutions have at least one program that has received some national recognition, but little progress has been made toward increasing the number of Texas institutions that are nationally ranked among research institutions.

## Progress in Research

The most recent data available, for 2011, show that Texas has made little progress toward increasing Texas' share of federal science and engineering research and development obligations. From 2010 to 2011, Texas' share has fallen from 5.6 to 5.2 percent of total U.S. federal expenditures, the lowest since Closing the Gaps began.

\*In 2006 dollars

\*\*Quoted from “A Tale of Two States – And One Million Jobs” by the Perryman Group

\*\*\*The most recent data available is for 2011

Sources: Closing the Gaps Goals and Progress: Texas Higher Education Coordinating Board, Accelerated Plan for Closing the Gaps by 2015, April 2010 (<http://www.theccb.state.tx.us/reports/PDF/2005.PDF?CFID=1657207&CFTOKEN=63245910>), THECB. *Closing the Gaps Progress Report*, June 2014 (<http://www.theccb.state.tx.us/reports/PDF/5924.PDF?CFID=17606207&CFTOKEN=54273402>); All Else: The Perryman Group, *A Tale of Two States – And One Million Jobs: An Analysis of the Economic Benefits of Achieving the Future Goals of the “Closing the Gaps” Initiative of the Texas Higher Education Coordinating Board*, March 2007 (<http://www.theccb.state.tx.us/reports/PDF/1345.PDF?CFID=1657207&CFTOKEN=63245910>).



# Funding for Many Texas Higher Education Financial Aid Programs Increased in 2014-2015 Biennium

**Major Texas Financial Aid Programs  
Funding in 2012-2013 (Adjusted) and 2014-2015 Bienniums**

	2012-2013 Adjusted Biennium Funding (in millions, rounded)	2014-2015 Biennium Funding (in millions, rounded)	Percent Change
Towards EXcellence Access and Success (TEXAS) Grant	\$579.7	\$724.6	25%
Texas Educational Opportunity Grant (TEOG)	\$23.1	\$27.8	20%
Texas Work-Study	\$17.7	\$18.8	6%
Tuition Equalization Grant (TEG)	\$168.8	\$180.1	7%
B-on-Time Loan	\$107.1	\$112.0	5%
Total	\$896.4	\$1,063.3	19%

Funding for several of Texas' major higher education financial aid programs was increased from the adjusted 2012-2013 Biennium to the 2014-2015 Biennium. Overall, funding for the five major programs was increased by 19 percent, from about \$900 million to over \$1 billion. The 2012-2013 Biennium marked a decrease in funding for the five programs above, but the current increases bring funding levels for many of the programs back to pre-cut levels. Three other large programs – the Professional Nursing Shortage Reduction Program, the Teach for Texas Loan Repayment Assistance Program, and the Physician Education Loan Repayment Program – saw increased funding, while others were cut or remained the same.

**Other Major Texas Financial Aid Programs  
Funding in 2012-2013 (Adjusted) and 2014-2015 Bienniums**

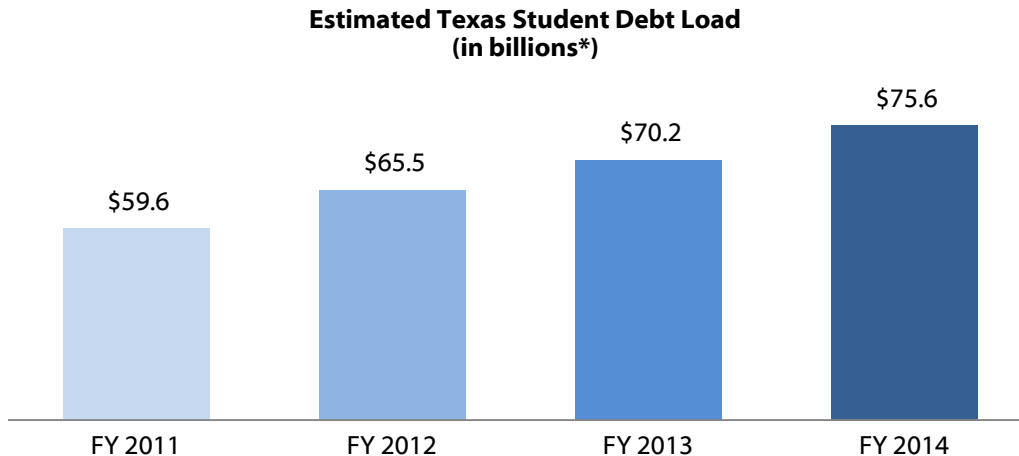
	2012-2013 Adjusted Biennium Funding (in millions, rounded)	2014-2015 Biennium Funding (in millions, rounded)	Percent Change
Top Ten Percent Scholarship	\$39.6	\$39.6	0%
Developmental Education	\$4.0	\$4.0	0%
Texas Research Incentive Program	\$70.0	\$35.6	-49%
Professional Nursing Shortage Reduction Program	\$29.6	\$33.7	14%
Family Practice Residency	\$13.3	\$5.0	-62%
Advanced Research Program	\$1.0	\$1.0	0%
Teach for Texas Loan Repayment Assistance Program	\$1.0	\$4.4	343%
Physician Education Loan Repayment Program	\$5.7	\$33.8	495%

Source: Texas Higher Education Coordinating Board Presentation, "Higher Education Summary of the 83<sup>rd</sup> Texas Legislature (Regular Session)," July 2013 (<http://www.theccb.state.tx.us/>).



# Overall Student Loan Debt in Texas Continues to Increase

The rapidly rising national student loan debt has garnered much attention over the past few years. The total volume of outstanding student loan debt reported in the United States in 2014 is estimated at \$1.12 trillion, an increase of \$124 billion from the previous year. Meanwhile, the outstanding student loan volume in Texas was approximately \$75 billion, up about seven percent from the previous year, with a rate of growth that is similar to the national rate.



At the state and national level, the majority of the outstanding student loan debt comes from federal loans, including Federal Family Education Loans (FFEL)\*\*, Federal Direct Loans, and Federal Perkins Loans. Federal loans have lower interest rates than most private education loans and they are eligible for various repayment accommodations, including loan consolidation, income-linked repayment plans, and public service loan forgiveness. Texas students are more dependent on federal aid and loans than students nationally. In Award Year (AY) 2012-2013, 85 percent of student financial aid in Texas came from federal sources, while just 73 percent of student aid nationally is federal. In Texas, 60 percent of all direct aid is in the form of loans, while 50 percent of direct aid in the U.S. overall comes from loans.

Individual student loan debts have grown along with the overall debt loads. From 2005 – 2012, the average student loan balance in the U.S. increased by 56 percent. High loan balances can make it harder for student loan borrowers to hold other forms of debt and the results have been seen in the housing and auto markets. Entrepreneurship of young graduates is also down from previous levels, as some graduates, burdened by large monthly student loan repayment amounts, become less likely to expose themselves to the inherent risk of starting a new business.

\*Estimates of Texas student loan debt totals are based on per capita student loan averages for each fiscal year using Federal Reserve Bank of New York data for Q4 2011 through Q2 2014, in current dollars.

\*\*The FFEL Program ended in 2010, but borrowers are still making payments on previous FFEL balances.

Source: U.S. Student Loan Debt Estimate: Federal Reserve Bank of New York (FRBNY), Quarterly Report on Household Debt and Credit, Aug. 2014 ([http://www.newyorkfed.org/householdcredit/2014-q2/data/pdf/HHDC\\_2014Q2.pdf](http://www.newyorkfed.org/householdcredit/2014-q2/data/pdf/HHDC_2014Q2.pdf)), Texas Student Loan Debt Estimate: FRBNY Quarterly Report on Household Debt and Credit data, Q4 2011 through Q2 2014, and Household Debt and Credit Statistics by County (<http://www.newyorkfed.org/microeconomics/data.html>), Texas Department of State Health Services, Projected Texas Population by County, 2013 (<http://www.dshs.state.tx.us/chs/popdat/ST2013.shtm>) Sources of Aid: Texas Higher Education Coordinating Board, Report on Student Financial Aid in Texas higher Education for Fiscal Year 2013, (<http://www.theccb.state.tx.us/reports/PDF/3578.PDF>); U.S. Department of Education, Federal Student Aid Data Center (<http://federalstudentaid.ed.gov/datacenter/>); The College Board. Trends in Student Aid 2014 <https://secure-media.collegeboard.org/digitalServices/misc/trends/2014-trends-student-aid-report-final.pdf>); Individual Student Loan Balance Since 2005: FRBNY, Student Loan Debt by Age Group (<http://www.newyorkfed.org/studentloandeblt/>); Markets: Rohit Chopra, Remarks to 2013 ABS East Conference via Housing Wire (<http://www.housingwire.com/articles/27303-cfpb-student-loan-debt-hijacks-the-housing-recovery>), Meta Brown, FRBNY & Postsecondary National Policy Institute, Student Debt Overview ([http://www.newyorkfed.org/regional/Brown\\_presentation\\_GWU\\_2013Q2.pdf](http://www.newyorkfed.org/regional/Brown_presentation_GWU_2013Q2.pdf)); Entrepreneurship: Young Invincibles, Borrowers in Distress: A Survey on the Impact of Private Student Loan Debt, May 2013 (<http://younginvincibles.org/wp-content/uploads/2013/05/Borrower-in-Distress-5.8.13.pdf>), The U.S. Small Business Administration, Frequently Asked Questions About Small Business, Sept. 2012 ([http://www.sba.gov/sites/default/files/FAQ\\_Sept\\_2012.pdf](http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf))

